

market development by improving efficiency, driving innovation, enhancing decision-making enabling, financial inclusion, ethical concerns, regulatory compliance, and cybersecurity.

These technologies enable enhanced security, better risk assessment, and personalized customer experiences. Customers increasingly expect seamless, real-time financial solutions available at their fingertips. This has led to the surge of mobile banking apps, online investment platforms, and fintech startups catering to these demands. Governments and regulatory bodies have created frameworks that encourage innovation while ensuring the security of digital financial transactions. This regulatory shift has enabled fintech companies to thrive and traditional banks to adopt digital solutions. Internet technologies break down geographical barriers, making financial products and services accessible to a wider audience, including underserved populations. Cross-border transactions, global remittances, and international investment platforms have benefited immensely from these advancements. The evolution of internet-based financial products has increased competition among traditional banks, fintech companies, and tech giants entering the financial space. This competition fosters innovation, reducing costs for consumers and enabling financial inclusion. Moreover, these products have introduced new revenue streams for businesses, such as subscription-based financial tools, online trading platforms, and digital wallets. The emergence of decentralized finance (DeFi) further disrupts the conventional banking system by offering an alternative to centralized financial services. Integrating AI into financial products and services based on Internet technologies is revolutionizing the financial landscape. It has enhanced efficiency, improved customer experiences, fostered innovation, and driven financial inclusion. However, financial institutions and regulators must work together to mitigate the challenges associated with AI and ensure it propels the industry forward responsibly and securely. As AI technologies advance, they will undoubtedly play an even more critical role in shaping the future of financial services.

PROBLEMATIC ASPECTS OF COMPLIANCE MANAGEMENT IN THE FINANCIAL AND BANKING SECTOR

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Compliance management has become an integral component of corporate governance in the financial and banking sector. With the increasing complexity of regulations and the heightened scrutiny from regulators, financial institutions must maintain robust frameworks to ensure adherence to national and international legal standards. The issue's relevance lies in considering problematic aspects of compliance management in this area, the study of key challenges, their consequences, and possible solutions. Having analyzed the state of the art of solving this problem, we will identify its necessary aspects: complexity of regulations - financial and banking institutions are governed by multiple regulatory frameworks that evolve rapidly, leading to difficulties in staying compliant. The increasing volume and complexity of regulations (such as Basel III, AML, and GDPR) make it challenging for institutions to maintain compliance without incurring significant operational costs. Basel III is a globally recognized regulatory framework developed by the Basel Committee on Banking Supervision (BCBS) in response to the 2008 financial crisis. It aims to strengthen the banking sector's regulation, supervision, and risk management. This regulatory framework focuses on enhancing the ability of banks to absorb financial and economic shocks, improving risk management, and promoting transparency in the global banking system. Basel III introduced stricter capital requirements to ensure banks hold enough capital to cover their risks. It mandated higher common equity tier 1 (CET1) capital, representing the highest-quality capital banks must maintain. Basel III created two new liquidity standards - the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These are designed to ensure banks have sufficient liquidity to survive short-term and long-term stress scenarios. In addition to capital and liquidity reforms, Basel III encourages stronger internal risk management frameworks within banks to mitigate operational, market, and credit risks more effectively. Basel III presents a challenge for compliance management in financial institutions, as these regulations require constant monitoring, reporting, and adaptation to regulatory changes. Non-compliance can lead to penalties, restrictions on operations, and reputational harm. The General Data Protection Regulation (GDPR) is a comprehensive data protection law that came into effect on May 25, 2018, across the European Union (EU). It sets out strict guidelines for collecting, processing, storing, and protecting EU citizens' personal data. It applies to all organizations, including those outside the EU, that handle this data. The regulation aims to strengthen individual privacy rights and give individuals more control over their personal information in the digital age. Key elements of GDPR are Data Protection Principles, Consent, Data Subject Rights, Data Breach Notification, Data Protection by Design and Default, appointment of Data Protection Officers (DPOs), and penalties. For financial institutions, compliance

with GDPR can be particularly challenging due to the vast amount of personal and sensitive financial data they handle. GDPR requires them to implement robust data protection and cybersecurity measures. Ensure transparency with customers regarding how their data is used. Maintain comprehensive records of data processing activities. Manage the rights of data subjects effectively (such as handling data deletion requests and access requests). In the financial and banking sector context, GDPR compliance is crucial, as a breach not only incurs regulatory penalties but also undermines customer trust, which is vital for financial institutions. The second aspect is Technological Advancements and Cybersecurity Risks. With the rise of fintech and digital banking, adopting new technologies has introduced additional compliance risks. The growing threat of cyberattacks puts pressure on institutions to implement stronger data protection and anti-fraud measures while still adhering to regulatory requirements. The third aspect is the globalization and Cross-Border Operations - banks and financial institutions often operate across multiple jurisdictions, which creates complexities in managing compliance due to varying local laws and regulations. This global reach requires institutions to adopt a more flexible yet comprehensive approach to compliance management. The fourth aspect is ethical and reputation risks: beyond financial penalties, failure to comply with regulations can lead to severe reputational damage. Institutions are expected to uphold ethical standards in their operations, and any violations can erode trust with clients, investors, and the public. A further aspect is cost and resource allocation - compliance management requires significant human and financial resources investments. The rising cost of compliance programs, including hiring specialized staff and investment in technology, places a burden on institutions, especially smaller ones. Compliance management in the financial and banking sector is both necessary and challenging, driven by the increasing complexity of regulatory frameworks such as Basel III, GDPR, anti-money laundering (AML) laws, and other international and national standards. Institutions must balance their operational goals with adhering to various legal requirements. Financial institutions must continually evolve their compliance strategies to stay ahead of regulatory changes and protect themselves from reputational and financial harm. While compliance management is demanding, proactive approaches can help mitigate risks, ensure regulatory adherence, and build long-term trust with regulators and clients alike.