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FEATURES OF TRANSFER PRICING IN BANKS FOR ENTERPRISES IN TODAY'S CONDITIONS

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controlling, transfer pricing, financial management, banking products, resource optimization, profitability, risk management, financial stability, individuals and legal entities, bank clients, investment lending.

This in-depth analysis embarks on the exploration of transfer pricing within the banking sector, a crucial component for effective financial management and strategic planning for both banks and customers. The complex nature and significant implications of transfer pricing practices necessitate a thorough understanding to optimize resource allocation and enhance the financial performance of banking institutions.

Introduction. The problem addressed in this research revolves around the intricacies of implementing transfer pricing mechanisms in banks, highlighting its critical role in managing financial resources efficiently. Transfer pricing is not merely a financial tool but a strategic element that influences the bank's operational integrity and market competitiveness.

Purpose. The objective of this study is to dissect various transfer pricing methods applied within the banking context, evaluate their impact on bank operations, and delineate potential risks and pragmatic solutions associated with these methodologies. This examination aims to illuminate the pathways through which banks can leverage transfer pricing for operational excellence and strategic advantage.

Methods. Employing a multifaceted research approach, this study combines a comprehensive literature review with analytical examinations of different transfer pricing strategies. It further enriches the analysis through case studies, illustrating real-world applications and outcomes of these strategies in the banking sector. The methodology is designed to uncover the nuances of transfer pricing and its multifarious effects on banking operations.

Results. Key findings from the research reveal a spectrum of transfer pricing methods, including cost-plus, market-based, and cost-based methods, each harboring unique benefits and suitable for distinct banking scenarios. The investigation elucidates the pivotal role of transfer pricing in resource distribution, liquidity management, cost efficiency, and capital utilization. Moreover, the study unveils potential risks and challenges such as regulatory compliance issues, interdepartmental conflicts, and inefficiencies that could arise from improper implementation of transfer pricing mechanisms.

Conclusion. The research underscores the indispensable role of transfer pricing as an essential tool for strategic management and controlling within banks. It posits that adept application and management of transfer pricing can substantially bolster a bank's financial stability and competitive edge in the market, transparency of price setting for bank customers. The study advocates for the adoption of recommended strategies and algorithms to refine financial flows, amplify operational transparency, and ensure adherence to regulatory standards, thereby facilitating a more robust and efficient banking operation.

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ОСОБЛИВОСТІ ТРАНСФЕРТНОГО ЦІНОУТВОРЕННЯ В БАНКАХ ДЛЯ ПІДПРИЄМСТВ В УМОВАХ СЬОГОДЕННЯ

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Ключові слова:
контролінг, трансфертне ціноутворення, фінансовий менеджмент, банківські продукти, оптимізація ресурсів, рентабельність, ризик-менеджмент, фінансова стабільність, фізичні та юридичні особи, клієнти банку, інвестиційне кредитування.

У дослідженні глибоко аналізується концепція трансфертного ціноутворення по послугам для фізичних та юридичних осіб, що відіграє критичну роль у фінансовому менеджменті та стратегічному плануванні як для банків, так і клієнтів. Основна увага приділяється визначенню та методам трансфертного ціноутворення, а також аналізу ризиків і проблем, які можуть виникнути під час його впровадження та використання. Ретельно розглядаються різні підходи до ціноутворення, включаючи метод вартості, що додається, ринковий метод, та метод витрат, які застосовуються для розрахунку вартості внутрішніх трансакцій між різними підрозділами банку. Дослідження акцентує на значенні трансфертного ціноутворення для забезпечення ефективного розподілу ресурсів, підвищення ліквідності, оптимізації витрат та доходів, а також управління капіталом і ліквідністю банку. Аналіз ризиків висвітлює потенційні виклики, зокрема ризик невідповідності регуляторним вимогам, конфлікти інтересів між підрозділами та недостатню мотивацію до ефективної роботи, що можуть вплинути на стабільність та ефективність банківської діяльності. Стратегія алгоритму вирішення включає впровадження прозорих методологій, систем внутрішнього контролю та аудиту, розвиток ефективної взаємодії між підрозділами, впровадження мотиваційних програм, та використання IT-рішень для автоматизації процесів. Такий підхід дозволить не тільки мінімізувати ризики, але й значно підвищити рентабельність та ефективність банківських продуктів і послуг. У підсумку, дослідження підкреслює важливість трансфертного ціноутворення як інструменту для досягнення високої ефективності управління банком, забезпечення його фінансової стійкості та конкурентоспроможності на ринку, прозорості встановлення ціни для клієнтів банку. Реалізація рекомендованих стратегій та алгоритмів дозволить оптимізувати фінансові потоки в банку, підвищити прозорість операцій та забезпечити відповідність діяльності регуляторним стандартам.

Statement of the problem

In the context of the dynamic world economy and its impact on national financial systems, the importance of effective management of bank resources becomes more and more obvious. In particular, controlling in the banking sector acquires strategic importance, acting as a key element in ensuring financial stability and contributing to the development of competitiveness. This becomes especially relevant in light of unpredictable economic challenges and the need to adapt to changing market conditions.

The focus of the study

The focus of the study is transfer pricing in banks – a methodology that allows optimizing internal financial flows and improving capital allocation within the banking institution. The implementation of this concept contributes to the creation of a more transparent and effective internal pricing mechanism, which is critically important for risk management, increasing profitability and optimizing the bank's financial structure.

On the other hand, individuals and legal entities – clients of banks – want to understand and have a justification for the established price for banking services, especially regarding long-term investment lending.

The purpose of this work

The purpose of this work is a detailed analysis of transfer pricing as a controlling tool in banks, with an emphasis on its impact on the general management strategy and operational activities of the bank. Special attention needs to be paid to the study of transfer pricing methods, their practical application in the banking sector and the impact on the effectiveness of bank management. It is also important to consider the challenges and prospects facing banks in the implementation and optimization of transfer pricing systems, including the analysis of regulatory requirements and the impact of global economic trends, and to determine strategic recommendations for improving the controlling mechanisms in banks using transfer pricing.

Analysis of recent research and publications

Analyzing the latest research and publications, it is possible to reveal a significant interest in the problems of transfer pricing in Ukraine, as well as its international legal doctrine and practice. Research by Andrus O. and Cherevko O.I. significantly advanced the understanding of transfer pricing mechanisms by defining its role in financial management and controlling in banks [1, 8]. Research by Bazov V.P. and Bilyka Yu.L. highlight achievements in

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the field of harmonization of Ukrainian legislation with international standards, but emphasize the need for further improvement of the legislative framework to ensure more effective tax control [2, 3]. Significant progress has also been made in determining the impact of transfer pricing on the effectiveness of bank resource management, which is highlighted in the works of Yu.L. Bilyk and Savchenko T.G. [3, 6], Bodnaryuk V.A. focuses attention on the current state and prospects for the modernization of transfer pricing in Ukraine, highlighting its role in the modernization of the country's financial and economic system [4]. Serzhanov V.V. and Molenda A.R. analyze in detail the reasons for the use of transfer pricing by enterprises, which allows a better understanding of the logic of choosing this cost management strategy [5]. Yankovska V.A. emphasizes the importance of internal audit organization in banks, which is key to ensuring effective financial control and risk management, including in the context of transfer pricing [7].

Unsolved problems are concentrated mainly in the field of transfer pricing adaptation to the specifics of banking and risk management. This includes the development of effective transfer pricing management strategies to minimize risks and optimize the bank's financial results.

Research methods

To achieve the goal of the research and solve the set problems, a set of theoretical methods was applied, including the analytical method, synthesis, comparative analysis, historical method, deductive method, analysis of various literary sources, including monographs, scientific articles, theses of conferences, regulatory and legal acts, and as well as electronic resource material

Presenting main material

Transfer pricing in banking is a key element of financial management, which involves the development and application of internal prices for transactions between different divisions of the bank. This process allows you to optimize the allocation of financial resources, increase the transparency of costs and revenues, and ensure effective management of capital and liquidity. The objectives of transfer pricing in banks include:

– Increasing the efficiency of the internal distribution of resources through the creation of a motivational system for units based on the principles of market competition.

– Optimization of liquidity and capital management by setting prices that reflect the real value of resources and risks.

– Increasing the transparency of financial reporting by clearly displaying the income and expenses of divisions, which contributes to an adequate assessment of their efficiency.

Transfer pricing methods used in banks vary depending on the management structure, specifics of the bank's activities and strategic goals (Table 1).

Examples of the application of transfer pricing in banking practice include:

– Pricing of internal loans and deposits between retail and corporate banking, where transfer prices help to optimize the use of capital and increase liquidity (Fig. 1).

– Setting prices for operational services (for example, payments and settlements, treasury operations) provided by some units to others, contributing to the effective distribution of costs and revenues (Fig. 2).

– Pricing of asset management products, where transfer prices are used to reimburse portfolio management costs and motivate effective asset management (Fig. 3).

Analysis of risks and problems related to transfer pricing in banks showed that:

1) there is a risk that transfer prices do not correspond to real market conditions, which can lead to inefficient allocation of resources and a decrease in the competitiveness of banking products;

2) the complexity and subjectivity of the transfer pricing process can cause internal conflicts between the bank's divisions, especially if they perceive pricing as unfair or biased.

3) there is a risk of regulatory inconsistency, since incorrectly set transfer prices can be interpreted as

Table 1 – Methods of transfer pricing in banks

Method	Description
Value Added Method	provides for the establishment of transfer prices based on production costs plus a certain percentage of profit, is based on the principle of internal cost recovery plus a guarantee of obtaining a profit margin for the implementing unit. Cost may include direct fundraising costs, administrative costs associated with providing the service, and other operating costs. The added profit percentage is determined based on the bank's internal regulations. The method is effective for internal planning and control, requires accurate costing and a reasonable approach to establishing the level of profitability.
Market method	Transfer prices are set at the level of prices prevailing on foreign markets for similar products or services. The method allows to ensure transparency and objectivity in the assessment of internal transactions, facilitates adaptation to changes in the market environment. Requires constant monitoring of market prices and adjustment of transfer prices. In the case of unique banking products or specific services that do not have a clear market counterpart, the method can be complicated, so banks can adjust market prices taking into account the uniqueness of their products.
Cost method	involves setting transfer prices at the level of the sum of direct costs associated with the provision of services or the sale of products between internal divisions. Direct costs include the cost of raising funds, labor costs, costs of materials and other resources. The method is based on objectively measured costs, which ensures its transparency and ease of understanding, as well as internal fairness in pricing. However, the method does not take into account indirect costs and may lead to an underestimation of the real cost of internal services, which affects financial results.

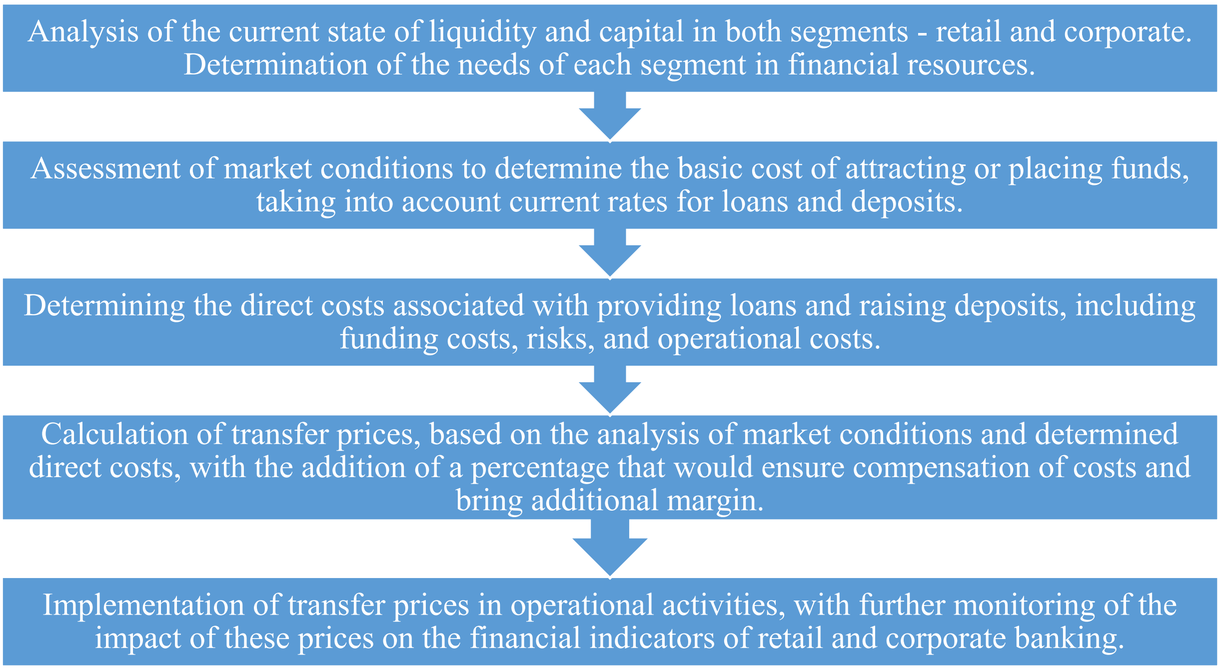

Figure 1 – Pricing algorithm for credit and deposit services of the bank

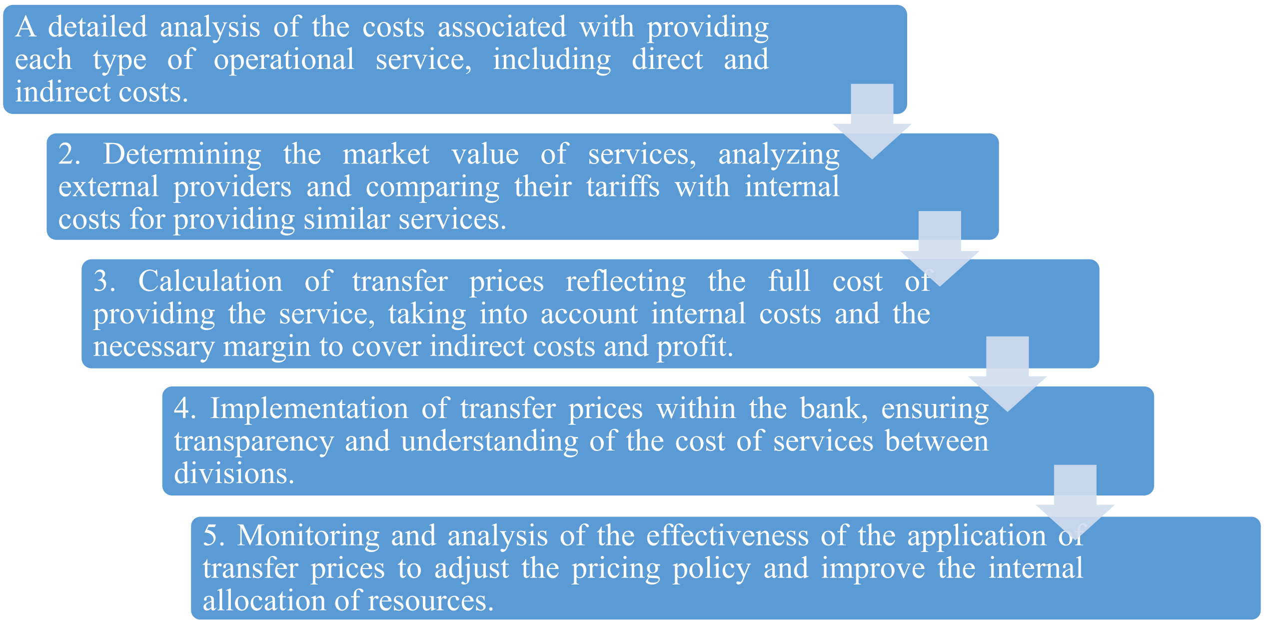

Figure 2 – Algorithm for pricing operational services of the bank

manipulations with the aim of minimizing tax liabilities or hiding the real financial position of the bank.

To minimize the mentioned risks and problems, it is necessary to ensure the transparency and objectivity of the transfer pricing process, to regularly analyze its compliance with market conditions and regulatory requirements, as well as to implement internal control and audit mechanisms. In addition, effective interaction and communication between the bank's divisions is key to reaching a consensus on transfer pricing methodology and resolving potential conflicts (Fig. 4).

Regarding the impact of transfer pricing on the profitability of banking products and services, correctly set transfer prices can significantly increase the efficiency of asset and liability management, optimize costs and revenues of divisions, and also ensure more accurate pricing of banking products and services. This, in turn, helps to increase the profitability margin and overall profitability of

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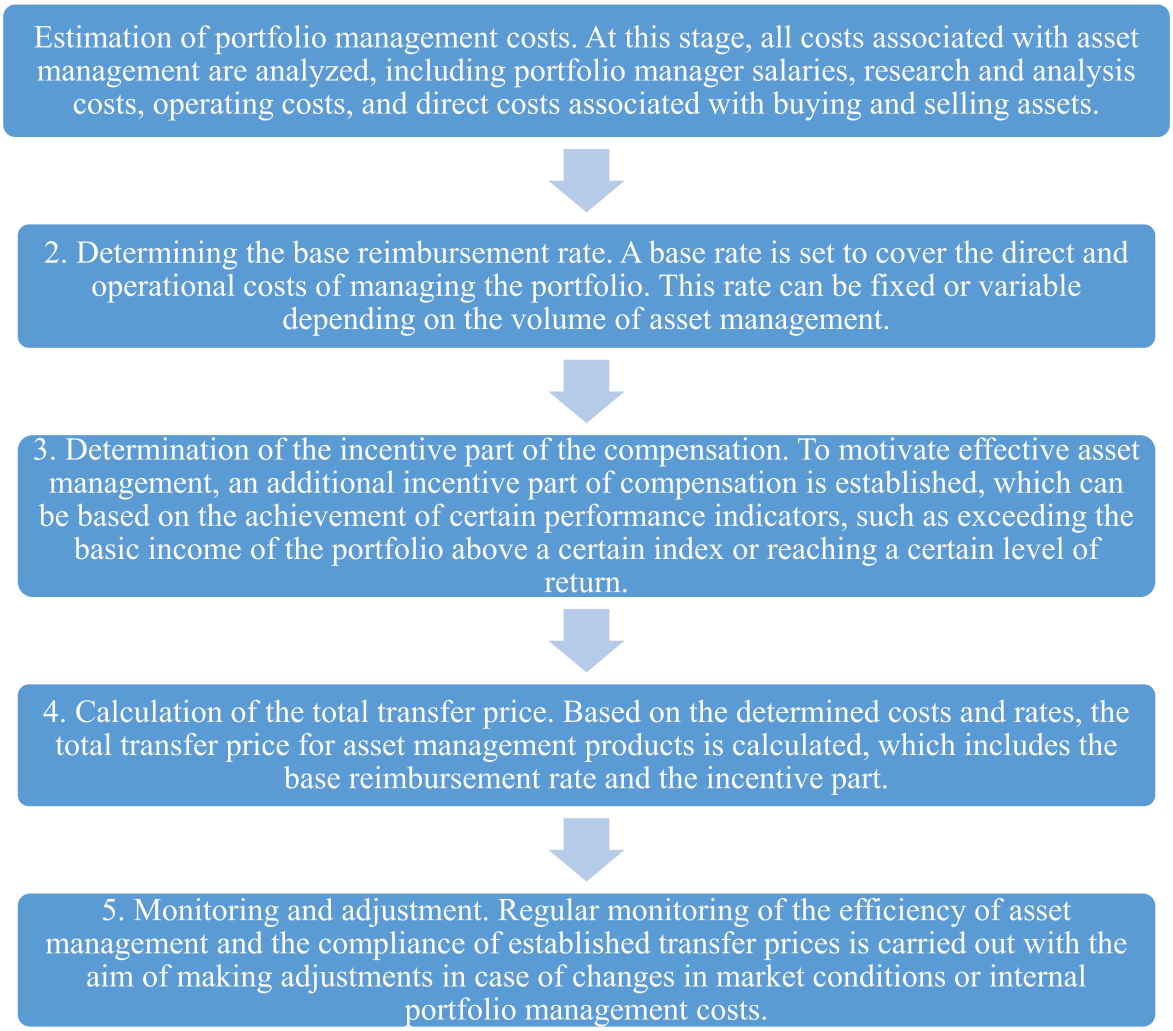

Figure 3 – Pricing algorithm for asset management products

the bank. However, if the transfer pricing process does not take into account all costs or does not reflect the true value of resources, this can lead to an underestimation of the profitability of certain products or services, as well as distortions in financial reporting and management decisions.

Conclusions

Analysis of the risks and issues associated with transfer pricing revealed potential challenges for the banking sector, including risks of non-compliance with regulatory requirements, conflicts of interest between divisions, and challenges in motivation and efficiency of asset management. The strategy for solving identified risks and problems, based on transparency, an adequate algorithm for setting and adjusting transfer prices, the implementation of internal control and audit systems, as well as the development of communication and motivation of internal divisions, opens the way to increasing the efficiency of financial management and optimizing the profitability of banking products and services.

The conclusions of the study emphasize the importance of transfer pricing as a tool of strategic management and controlling in banks. The correct application of transfer pricing can not only contribute to increasing the efficiency of internal financial management, but also ensure greater adaptability of the bank to external challenges, strengthening its financial stability and competitiveness in the market. Thus, transfer pricing in banks acts not only as an element of financial strategy, but also as an important tool for ensuring transparency, effective risk management and optimizing profitability, which requires constant analysis, adjustment and improvement.

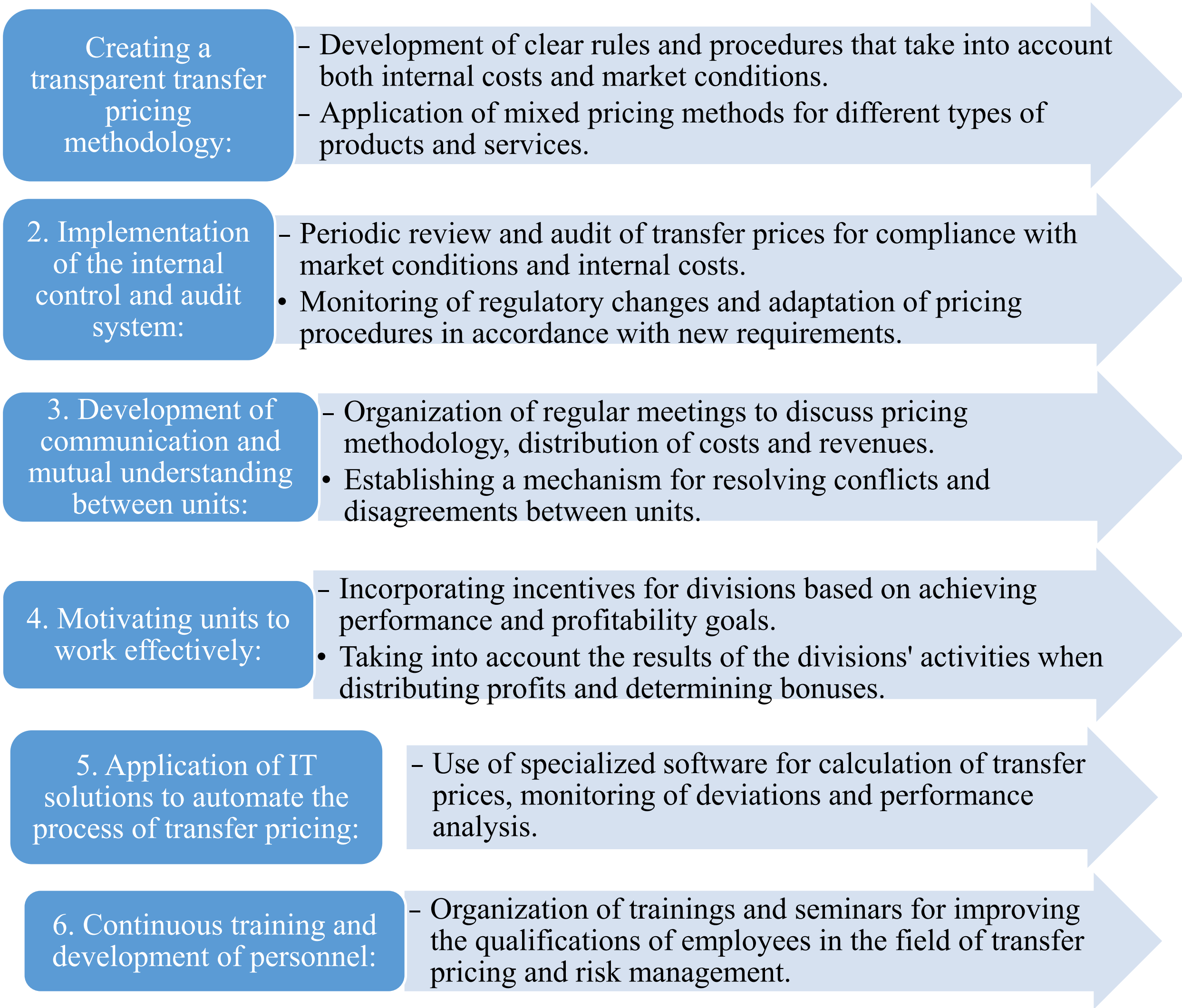

Figure 4 – Stages of the pricing process

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