FINANCIAL NETWORKS AND GLOBAL FINANCIAL RISK

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Abstract: *Network risk (RRT) takes concrete forms of action, manifestation, forms typically determined by network characteristics that are affected by decoupling, distortion, phase-out, distortion, debilitating the strength of a financial network feature. Obviously, these forms refer to the radiant impact of the institutional characteristic of the network, embodied in norms, bodies, rules, structures, etc. on the interactive features of the network. The institutional grid of the network is the force, the ability of the network's interactive feature to negatively influence the performance of the components.*

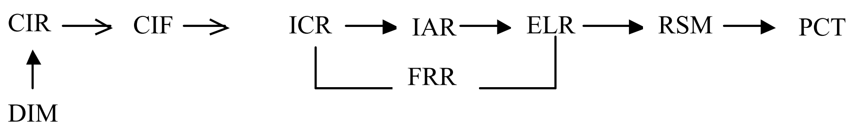
Based on these considerations, the global financial network risk must be assessed in the current context of the financial networking functionality challenges.

Keywords: *financial network, currency and sustainability.*
Jel Classification: G10, G23

Introduction

The complex relationship in which the network risk acts on the performance, the goals, the functionalities and the potentialities of the network is presented in figure 1, in the form of a momentum.

Figure 1: Impulse relationships between risks and performance



The meaning of the symbols is as follows:

- DIM = institutional deficiencies of the financial network;
- CIR = the institutional feature of the network;
- CIF = interactive features of the network;
- ICR = network interconnections;
- IAR = network interactions (interactive flows;
- ELR = network elements;
- FRR = network risk forms;
- RSM = risks specific to the financing network;
- PCT = losses and costs.

Methodology of scientific research

To substantiate the funding model for innovation, we used observation and examination tools, research methods based on the basic principles of scientific research, and we also created procedures based on factual analysis as a result of a significant practical experience and of intensive documentation at the level of national and international literature.

Research results

The forms of network risk are as follows:

The credibility risk is the essential form of risk of the financial network, mitigating or distorting the trust of the economic subjects in the currency, in the financial instruments, the financial-monetary institutions, due to the malfunctions, directly or indirectly induced by contagion, , with a temporal lag, all the specific risks and, first of all, the risk of depreciation of the currency.

Financial networks are irreducible for purely economic reasoning centered on profit-oriented economic interest, monetary transactions, operations

and financial flows, based on the trust of entities, economic subjects in the financial network, the transaction network, the fiduciary dimension being vital to the reproducibility of networks and for their continuity over time. Trust is an integral part of maintaining interconnections and interactive financial flows, especially taking into account the uncertainty and complexity of transactions.

Winning economic rationality does not cover the space of trust in the currency, depending on different factors, economic rationality depending on individual, selfish, competing and confronted interests on the market, while trust is conditioned by cohabitation, social, political, cultural, but also economic, trusting reciprocity, while economic rationality implies exclusion through competition (even if the market harmonizes gains through interests).

Trust is an essential property of the coin, an abstract feature of money in general, which does not imply the stability and validity of the concrete forms of the currency, because trust in the stability and validity of a monetary form, a financial instrument, means trust in institutions and rules, and rules directly responsible for the administration of this form of currency. In this respect, the nature of the risks involved in financial transactions, in interactive flows, reflects their unique character in the modern world, namely that they are generated by man-made institutions.

It can be argued that the credibility risk is not associated with trust in money as a social institution, but with confidence in social institutions, ie regulations and organizations, which create and administer specific monetary forms, financial instruments traded on the markets.

The risk of credibility in the financial system is determined by economic, but especially extra-economic conditions, the placement of monetary forms in an environment centered on economic rationality, the dependence of financial transactions, the interactivity of the financial network of interests and economic gain distorts and vices the functions of the currency, its transitive potential, the goals of the network, assuring the concrete forms of the coin of improper, adverse and unfavorable finiteities and functionalities. In this respect, speculative or derivative financial forms, as quaternary, forward-looking currencies, are at the same time extreme forms of risk credibility, generating risk, covering it.

Vulnerability risk is a generic risk of the financial network due to the inadequate, institutionally caused flow of flow and financial network characteristics such as reliability, complexity, integrity, intensity, connectivity, affecting the network considered as a whole but differentiated on elements, interconnections and interactions.

Vulnerability expresses the debilitation of the transitive potential of interactive network flows by favoring, in particular through the channel of inadequacy and inactivation, the emergence of specific risks, such as exchange rate risk, currency depreciation, interest rate risk, market risk.

The organizational inconsistency of the financial network, the inconsistency of the financial instruments, the forms of currency in the financial asset hypothesis, the inadequacy of the financial operations, the rigidization and the temporal or dimensional incongruity of the sources and the destinations of the interactive flows are causal institutional factors of the vulnerability of the network, perceived by network participants by diminishing the reliability of flows that may generate liquidity or solvency risk through volatility of asset prices through the juncture of some network nodes, ie financial institutions or markets, which may ultimately lead to bankruptcy risk and so on.

Institutional causes of monetary network vulnerability may be:

- a compositional incompleteness of entities, for example the lack of necessary entities;
- o insufficient connections, cumulative or distributive nodes;
- o lack of functional loop connectors such as guarantee bodies, trade effects, consultancy entities, and network loops to ensure re-circulation of the inactive, temporary pending currency, such as the locked currency;
- the degradation of operational synapses, such as the transformation of deposits, due to the interactive gap between collection and placement or currency convertibility due to the institutional irrelevance of monetary forms, such as reserves, surpluses, placements.

The risk of vulnerability is therefore, above all, a risk of institutionalization of the financial network and derives from the inadequacy of the network to environmental conditions, to its requirements and needs, and in this respect the direct effect of this network risk, depreciation of the currency in its form transactional, interactive, currency risk, is associated with the degradation of these conditions, with the relation between the internal and the external environment.

The risk of de-synchronization is a risk of the flows, of their interconnection in the network, affecting the interactivity of the network, ie its essence, being formally generated by the institutional regulation of the

network, and thus by the way of network implementation, and functionally by the relation between tasks, ie the activities, responsibilities and competencies of the constituent entities.

Desynchronization refers to the occurrence of some disagreements, of any kind, between network flows, addressing the following aspects: gaps, gaps, defects and incompatibilities.

Time spans between cash inflows and outflows, between the formation of monetary resources, liquidity, and their use, transforming them into placements, increasing the stagnation of the coin as an inactive currency. If some gaps are necessary for financial transactions and interactivity, most are inertial, institutionally determined, often even regulatory, inducing lasting differences, affecting the fluidity of money, circulation and currency conversion, usually leading to liquidity and capital risks.

Dimensional dimensions related to the capacity and length of flows, but also to the extensibility and intensity of the financial network. For example, if there is a discrepancy between the capacity and the length of the collection flows and the placements, the risk of de-synchronization may generate both risk and liquidity risks, and the disconnection also occurs in the case of the gap between network extensiveness and insensitivity, which will primarily affect the effectiveness of the network, causing a risk of financial asymmetry, concentration and rigidisation, associated with the insolvency risk of some financial entities that, through contagion, can affect the entire network.

Flow deviations due to the speed of flow instruments and network velocity, these streams often resulting in bottlenecks, being partly responsible for the risk of network agglutination, affecting network interactivity, resulting in liquidity, rate, and liquidity risk. monetary depreciation, currency risk.

Instrumental incompatibilities, manifested by the inadequacy of financial instruments to achieve certain goals or functionalities of the network, their non-adaptation to transited currency aggregates (blocked currency, reserves, savings, equity, speculative liquidity, etc.), or, generally, insufficient harmonization the supply of financial and monetary instruments (checks, cash, cards, accounts, etc.) and the demand, and especially potential, demand, which expresses the need for economics of tools, perhaps not yet operational, and why not yet unthinkable.

The risk of de-synchronization induces a negative resonance in the network, in the case of an increased de-synchronization, the network may enter into „trepidation”, the generic expression of this situation, the risk of vibration,

negative resonance being the fluctuation, the agitation of the exchange rate, the price, the purchasing power of the coin on a trend of chronic depreciation.

The institutional causes of this risk are connected and often dependent on economic, social, political causes (unless we consider monetary policy itself an institution), but it is obvious that the way of building its financial network, its architecture, its dimensions and institutional adequacy, contributes significantly to the emergence and maintenance of this risk.

The agglomeration, agglutination risk associated with the two previous risks is manifested through the abundance, segregation and concentration of the currency forms and of the flow financial instruments in certain areas of the network, by regionalization, polarization and conjucturing, phenomena with various etiologies, but highlighting the institutional inadequacy of the network, creating favorable conditions, especially through the channel of incapacity, for the occurrence of rate, insolvency, and obviously market, price risks, financial assets, and currency risks.

Very often, this network risk is associated with insufficient networking of specific elements of the network, to provide certain services needed for the markets and to contribute to the consolidation of its transparent automata, such as:

- a continuous counting of network flows, highlighting crowded and relatively free routes, for example, the discrepancy between the interbank and the financial or pay-as-you-go, this counting being a potential selective and reorienting role;
- a functional and operational adaptation of flows to the concrete requirements of interactivity, by setting up network adapters, compensation house analogues, transforming financial assets and instruments, and forms of currency in line with market requirements, making these adapters an integral part of financial markets and monetary ones, such adapters being aimed at consolidating the course (currency adapters), liquidity fluidization (factorial adapters), rate compensation (distributive adapters), etc., taking over some of the current market dysfunctions, such as speculative ones, which distorts some of these adaptation attributes , and relaying them to the market, integrating them, strengthening its institutional network automation.

- an instrumental conversion, titrization, trying to achieve this conversion interactivity, the market, as it is conceived and instituted, is not only conversational but marginal or improper, I would say, forcing a little the institutional potential of the network. A conversion market, such as the derivatives market, could be constitutively and institutionally made, in fact anticipating and conditional this conversion, but often in a speculative environment, denaturating the functions of the currency, of monetary forms.

Managing this network risk is principally a matter of institutionalization and functionally a matter of evaluation and supervision because the flexibility of the currency, its fairness of freedom, should also be found in its capitalized, financially instrumental forms, between currency-trust, and economic reasoning, which usually regulates fragmentarily, segregating capital flows, money saved, contradictions, crisis-generating confrontations, which partly reflects the existence of this agglomeration risk with speculative openings.

The risk of detachment and polarization is the specific network risk that suffers from three institutional diseases:

- ignorance in the sense of disregarding or insufficient consideration of the environment, due to the institutional endowment, which gives it a certain form of knowledge and understanding;
- vanity, not in the anthropomorphic sense, determined primarily by the approach of currency, of monetary forms, in terms of earnings-centered economic reasoning, financial entities considering the currency capitalized as a generator of power and not as a binder between the network and the environment, bidders and coin applicants , the bank currency, and its financial form, which produces wealth, denaturing the currency's functions in a great way, perhaps by distorting them to authentic, trust-based forms of currency; obviously, vanity is reactive, not adaptive, and is so proven by financial crises, often induced by financial entities, banking in the socio-economic ensemble.
- esoterism, in the sense of the financial sector, especially the banking sector, being hardly accessible to the uninitiated, the disease being landless, from time immemorial, and partly with constitutive justifications and, we could say, ontological. The coin being

> something very sensitive and omniscient has been told the blood of society, but has now become a sort of pathology of appearances, a pathology commanded, authentic, original esotericism, original, disappearing, remaining an esotericism of complications, of often unnecessarily functional functional diversions mimetic esotericism, but the more sickly and contagious.

The risk of posting is manifested by the detachment of the financial network from the socio-economic environment, its real markets, including the health, culture, education, financial network, and sometimes the specific evolution of these human domains, how to build up the guiding principles of its configuration and architecture, so that posting induces specific risks in the financial network, such as rate and rate, volatility and real non-speculative-arbitrary overlaps, generating fierce crises at local level, regional, hardly absorbed, with losses and environmental costs, but also liquidity risks, finalized by bankruptcies of the banking entities, as well as non-financial ones.

The risk of bias, power highlights the tendency to create concentration as police, financial centers, officially represented by the central bank, which attributes beyond coordination and regulation becomes, in the name of monetary policy, the market operator, give confidence in currency in its purchasing power, and operative financial centers that focus with currencies, financial instruments, power to influence, to intervene, sometimes disturbing the markets desire to balance targets exist already esoteric or at least selectively beneficial. Polarization is a phenomenon common to all networks, from minerals, natural to the neural and spiritual, but institutionalization polarizing network Financial can be perverse, sometimes unexpected, polarization contributing to a risk network of the network-financial, to the extent in which polarization does not serve the network, the currency, the confidence in the currency, exacerbating, for example, the gain orientation, according to the economic reasoning.

A significant risk of detachment and polarization effect that potential and real, generates specific risks devastating is the expansion of incomparable value financial flows compared to the actual flows, most financial flows grinding idle money, obviously for earnings, for the transfer, rarely converted into real, consuming or investment assets.

Conclusion

The five types of network hazards developed above do not cover the whole range of risk possibilities intrinsic to the financial network, highlighting their existence, their specificity and relevance in the monetary space as well as their institutional determinant etiology. At the same time, the above approach wanted to reveal that the credibility risk is paramount, being the generic network risk, the placement of its currency, its forms and instruments, in a space dominated by economic reasoning, centered on interest and gain, credibility in currency, the ability of the coin to perform its original functions.

The network risk, the five of its types delineated above, are generated by determinant or conditional factors, and in turn generate direct and indirect effects through the specific risks of the financial network, the network risk being placed in a structure of interdependencies, of direct and mediated influences.

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