Abstract. The given paper presents the results of the research of the entities that manage share institution with joint investments and take part in its formation and functioning, in particular Management Company, Monitoring Council, investors, and an investment consultant was offered as an additional participant at the financial market. It was determined that there should be the licensed activity, the result of employing: the increase of the liability and objectivity of the regulation’s expertise of the investment fund, minimizing risks for investors that will help to provide more effective investment process. The general system of the state regulation of the activity of such funds at the financial market was described, interrelations between the subjects of the investments, the order of taking decisions was set to define the strategic aims and choose appropriate investment projects, the direction of the financial and property assets. Their place in the given system as interrelations was characterized. Types of the information streams between the subjects of the investment fund were defined and described their interrelations. Every subject’s functional purpose was determined, and also the typical functions for share institutions with joint investments, namely general-social and protective function for investors’ economic interests, informational and regulating. The general level and the tendencies of current investment market in Ukraine were examined, taking into the account international experience and the dynamic of internal market, further recommendations are attached on the improvement of regulatory basis of the financial market for extending types of investment funds and financial instruments for engaging as many investments into the Ukrainian financial market as possible.

Key words: share institutions with joint investments, investors, Management Company, supervising committee, investment consultant.

INTRODUCTION

Investment is one of the most necessary preconditions of the development of different spheres of the national economy. There are different means of investments such as property, shares, stock, private enterprising, pension funds etc.

One of the most efficient and powerful mechanisms of engaging and accumulation of investments in the countries with highly-developed economics is share institutions with joint investments. In Ukraine investment funds are gaining popularity, though they play an important role in the investment sphere of economics in our country. Due to the fact that share institution of joint stock (further called SIJI) can accumulate a bigger part of the investment resources, so in prospect they may become the main source of innovation investment, prioritized spheres in economics etc. Mutual investment serves as a mediator between an investor and the entity of investments. The following accumulating process is characterized by a great number of entities, participating in the fund formation and its management. That is why to increase the productivity of the work of the fund it is up-to-date to analyze the environment and fund entities interrelations and their functions.

MATERIALS AND METHODS

Analyzing resources [1, 2, 3, 4, 5, 6, 7, 8], it was found out, that native and foreign scholars devoted a lot of works to the issue of SIJI and its entities.
V. Yeryomenko described the duties of the management companies abroad, in the works by K. Pavlyuk the objectives and the principles of functioning are observed, the sources of formation and the "directions of resource expenditure of the Investment Fund" of Ukraine [5]. Y. Porodko is researching the peculiarities of the functioning of SIJI and its advantages "as one of the alternatives of investment" [6]. N. Tkalenko examined the role of SIJI in the native economy [7]. M. Novykova observed the aptness of incorporation of investment funds in the system of the country development innovation [8]. S. Knyaz described methods for selecting investment strategies [9]. A great number of works devoted to the sphere of mutual investment were presented by such scholars as O. Kampi, I. Lytvyn, V. Gurova, B. Fridmen, A. Pigu, J. Gerli, G. Shreder, U. Sharp etc. Though further work out and improvement of the functional purpose and localization of each entity of SIJI in the process of interrelation are required.

The purpose of the given article is to determine the functional allocation of each entity of SIJI and their localization in such system.

RESULTS AND DISCUSSION

The understanding entity functions, which are formed and managed by SIJI is possible if their general interrelation system correlates. Analyzing research material [1, 10, 11] and practical work of fund and investment markets, there was created the general description of the system of interrelations and information streams, which form and manage SIJI (Picture 1).

The infrastructure of SIJI entities is formed and managed Picture 1, such institutions as: JISI and Management Company (MC), supervising committee and an investment consultant. Investors are not included in such system, because they are a source of initial financing of SIJI, by means of getting investment certificates imitated by this fund. As a result of their investment into innovations, securities, building constructions, deposits, property, corporation rights etc investors get the profit from dividends, security rate profits, property.

The registration of the stock market is held by the National Committee of Securities and Stock Market (NCSSM). The registration ends up with the assigning of the code to the fund and its registration to SIJI, which is run by a specialized department of the Committee. The sponsor of SIJI is a company that runs the assets (MC) and performs all necessary activities to register the share of the investment fund, hold the emission of the investment certificates and ensure its fulfillment.

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**Fig. 1.** The system of interrelation and information streams of entities which are formed and managed SIJI*

*Resource: created by the author analyzing research material [1; 3; 10; 11; 12; 13; 14]

**Suggested involving investment consultant**
Practically all financial, legal and economic operations of SIJI are performed by MC – a legal body, created in the form of a stock company and a private joint stock company with their statute fund no less than 7 000 000, 00 mln UAH that works professionally in managing the assets of SIJI according to the license, given by the Committee and cannot combine this business with other kinds of professional activities at Stock Market. The investment funds function via MC. The asset management is the only kind of running business for such enterprises. MC is the main member of the stock market, which interrelates with the investment funds and performs the following functions regarding SIJI [1, 2, 3, 5]:

- creating share SIJI. Performing expert evaluation of the efficiency of SIJI,
- management of the investment funds’ assets by planning fund’s activity, organizing business between the entities, that are form and manage SIJI, staff motivation running investment fund, monitoring effective fund work and regulating deviations in fund’s activity,
- searching entities to invest and get the profit from it,
- filling in funds’ activities by means of releasing and placing the securities of SIJI, searching under rites to invest fund certificates among the investors,
- analyzing securities and other instruments, that belong to investment fund assets, and calculates clear fund assets,
- choosing licensed members of stock market, that trade securities and keep them, signs contracts on profitable conditions. The contracts are signed with enterprisers-partners with which MC has dealt already, that are reliable and offer favorable conditions,
- performing accounting and tax audit of SIJI ,
- reporting to the state organs, NCSSM, State Tax Office, State Department of Financial Monitoring and other organizations on SIJI activity for the certain period of time,
- providing SIJI activity. Performing management of the assets of SIJI. Determining strategic policy of the fund realizing it. Estimating main aspects of SIJI functioning, Forming and providing for the investment policy of SIJI [15],
- considering the factors, that influence the formation and further activity of SIJI.

Examining the investment climate in the country, investment activity and social standards of living, legislative regulations of the investment policy etc. The contribution to the assets of SIJI is made by legal bodies and individual entrepreneurs. Their aim is to get profits from certain kind of investment. On forming joint stock company, the founders remain the only members of the fund and follow their interests. As a rule, when the joint stock company is founded by SIJI members, their relations, industrial activity and business projects are corporative. On forming open investment fund, it imitates investment certificates, which can be sold at non regulated market or via stock markets or can be bought by depositors [1]. As a result of the above mentioned operations by the members of SIJI become all bodies that have bought the securities imitated by this fund. The quantity of the members is not limited. In the process of fund activity the fund committee can be founded by SIJI members. They also appoint the head of this committee. According to the contract about the cooperation between SIJI and MC, the head of the committee monitors MC activity regarding the fund and is entitled to adopt and cancel the decisions about fund assets. The head of the committee signs fund’s purchase contracts of the securities, contracts on fund’s operations with other assets, and a contract with the keeper of the securities. Analyzing state and non-state organizations, that have supervising committees of SIJI with the following suggested functions [1; 16]:

- assertion of forming, liquidation and reorganization of SIJI,
- giving offers to MC as to priorities of the investment activities,
- making decisions by MC as to the investment fund,
- working out the system of measures regarding support and improvement of SIJI activity,
- analyzing the activity of MC, managing the assets of SIJI and making offers SIJI,

Based on analyzing the functional purpose of the various socio-economic subjects to work the following features that are relevant for mutual funds:

- general-social function – estimates activity direction to satisfy investors’ interests. The following function aims to strengthen SIJI business activity as a basis of the investment interrelations, increase business capacity of the fund and the length of its existence, to preserve “economic-financial resources for providing the realization of its aims”[17]. In this way all necessary conditions are created for the fund to fulfill all business projects. It is up-to-date while forming favorable conditions for the investment fund development and strengthen depositors’ interrelations stipulated by realization the legislative norms. General-social function bears not only economical but also social effect [17, 18, 19, 20],
- the function that protects investors’ interests – aims to protect personal data of each depositor. In investing in SIJI, the data of the entrepreneurs and legal depositors are being collected. Such information is confidential and is forbidden to be spread without member’s agreement apart from the cases foreseen by the Law of Ukraine ”About Personal Data Processing”. That is why investment funds are to protect personal data and secure them from illegal processing, including their loss, illegal or accidental erasing, and illegal access.
to them [20]. This function stands for depositors’ rights to reduce the level of criminal cases. Economic content of this function stands in the protected economic information about the investors, their trust in the investment fund, whereas the investment fund’s attraction is rising [18, 20, 22].

- informational function – aims to organize and provide regular access to the informational system about business activity of investment funds. SIJI are open to state organs (Tax Office, The National Committee of the Securities and Fund Market, Self-Regulated Organizations) that are checking legitimate activity of the fund and requirement to the fund and its investors that are interested in taking risks and profitability of fund operations, fund’s ability to pay out the interests. To give free access to the information about the state of the investment fund and the operations performed aims to make certain decisions or realizations of depositors’ plans [18; 20; 22].

- regulating function – aims to eliminate certain factor, that appeared (for example to regulate interrelations between depositors resulting in the conflict of non profitable investments). The given function was created to preserve the stability of the fund as an entity of business interrelations by means of supporting necessary correlation between different elements to remove and manage possible deviations from the planned functional process. This function is aimed to remove fund’s activity drawbacks [15, 18, 20].

The peculiarity of the suggested system of entities forming and managing SIJI is to involve an extra body, that is – a investment consultant that allows to:

1. To provide the effectiveness of the procedure of an independent expertise of regulations and the emission prospect. MC is a body that is interested in involving investments to get the profit from the fulfilled work.

2. To reduce investors’ risks. The investment consultant is independent from MC and other participants of the investment fund, and correspondingly is entitled to give an objective and actual evaluation of a suggested project.

An investment consultant can be hired both temporarily and permanently to consult the members of the fund. In particular, it would be efficient for a consultant to be a member of the observing committee of SIJI. An investment consultant is to act according to the law and follow the principles of just trade considering investors’ interests.

The economical consequences of hiring an investment consultant stand in the improvement of the effectiveness of the decisions regarding the emission of the investment certificates of SIJI, in the form of an invested capital, optimizing risks from acquired assets.

On the basis of analyzing more economically developed countries in the sphere of social investment, there can be differentiated certain functions typical to the investment consultant:

- Evaluation and expertise of investment projects – the aim of holding such expertise is to determine the economical vital activity and appropriateness of such projects, preventing economically non-profitable SIJI. It includes complex evaluation of practical and methodological aspects, backgrounding the project and evaluating its level of non-profitability or profitability in general [23, 24].

- Managing investment portfolios, that include one or more tools – the given function allows to form the investment portfolio of SIJI and perform its restructuring if investment conditions change to preserve the invested money and make it profitable. The economic content stands in preserving investment attraction of an existed fund [14, 25].

- Giving investment recommendations regarding financial tools – an investment consultant after having performed the evaluation and acquired experience in the process of his/her work can give recommendations as to any business project, consult investors in the sphere of the capital structure of the investment fund, business strategy and other issues concerning joining and capital intake, division [24]. The role of the following function is to minimize the risk appearance in the work of SIJI and increase its effectiveness.

- Non allowance of abusing by MC depositors’ assets. MC is a concerned entity to involve investments at the market, resulting in managing the fund, it gets profits-interests or shares for the fulfilled services [1, 3].

- Evaluating the risks of profitability, time prospects – the evaluation of a possible loss of investments (securities’ rate value loss, currency rates fluctuations, decreasing of economical situation or eminent’s bankruptcy with invested capital, deterioration of the economical situation in the country in general etc) [26]. Forecasting the level of profitability or losses and prospective of a business project at different periods of time.

On the basis of researching and analyzing marketing experience of SIJI, legislative acts, material resources and participants functions [2, 6, 10, 11], that form the infrastructure of the investment fund, in table 1 there depicted different types of information streams and the content of interrelations between the entities of SIJI.

Uniting elements such as MC, Supervising Committee, investment consultant, investors, and their close interrelations form the structure of the investment fund. The given characteristic of information streams and the types of interrelations characterizes the interrelations between the entities that form and manage SIJI, their influence on the fund and their functions.
performing investment activity. Perfect interrelations between its elements, aimed to investors to invest their means profitably, allow to consultant involvement will give vast opportunities to financial market of Ukraine and a range of investment experience, considerable increase in the tools at the actions from MC while monitoring investors' assets. Consultant depositors as to the risks, assets profitability, independent expertise of the investment projects and the investment consultant that would give an why, we consider that it would be appropriate to involve cannot usually arrive with rational solutions. That is and financial regulations of the investment activity and members are not prepared enough in terms of legislative has reached quite sufficient development level in terms SIJI. * TABLE 1. Information streams and types of interrelations between the entities that form and manage SIJI*  

<table>
<thead>
<tr>
<th>№ link</th>
<th>Interrelation entities</th>
<th>Information streams</th>
<th>Description of interrelations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Investors; Supervising committee</td>
<td>Information on the fulfilled work; Comments and suggestions;</td>
<td>Supervising committee reports on investors about the fulfilled work and accepts comments and suggestions regarding fund’s activity and its elements</td>
</tr>
<tr>
<td>2</td>
<td>Investors; investment consultant</td>
<td>Information about the prospect of SIJI</td>
<td>Getting order to perform independent expertise on formation</td>
</tr>
<tr>
<td>3</td>
<td>Investment consultant, supervising committee</td>
<td>Information based on the results of business projects’ evaluation</td>
<td>Cooperation based on evaluating each business project offered for SIJI. Supervising committee is a customer, investment consultant – performer (evaluating)</td>
</tr>
<tr>
<td>4</td>
<td>Supervising committee; SIJI</td>
<td>Sharing the results of evaluation</td>
<td>Monitoring SIJI activity, adoption or rejection from all the projects</td>
</tr>
<tr>
<td>5</td>
<td>Supervising committee; SIJI; MC</td>
<td>Information on the scheduled or fulfilled work</td>
<td>MC reports back to the supervising committee and accounting for the fulfilled work. Supervising committee accepts or refuses suggested investment projects, gives its offers</td>
</tr>
<tr>
<td>6</td>
<td>SIJI; MC</td>
<td>Information about SIJI work</td>
<td>Fulfillment of all approved business projects; monitors investment activity; searches the entities of the investment; imitates investment certificates for SIJI</td>
</tr>
</tbody>
</table>

* Material source: made up by the author on the basis of analysis [1; 2; 6; 7; 10; 15; 27; 28] and the functions of entities, that form and manage SIJI.

CONCLUSIONS

On the basis of the research in the article, it may be asserted, that nowadays the market of SIJI in Ukraine has reached quite sufficient development level in terms of functioning entities, legislative and technical security of its activity, however the structure of SIJI market is not perfect enough to minimize the risks and requires further development and improvement. MC runs practically all the managing business, investing and deals with the strategic policy of the fund. Hence, MC is an interested entity of the existing system to involve investments, as such a company gets profits, as a rule, in the amount of certain percentage from the sum of involved investments for the managing assets services of the fund, that monitors MC, though in most cases fund members are not prepared enough in terms of legislative and financial regulations of the investment activity and cannot usually arrive with rational solutions. That is why, we consider that it would be appropriate to involve the investment consultant that would give an independent expertise of the investment projects and consult depositors as to the risks, assets profitability, short and long term planning, avoid non legitimate actions from MC while monitoring investors’ assets.

Thereby, taking into consideration the international experience, considerable increase in the tools at the financial market of Ukraine and a range of investment funds, we came to the conclusion that investment consultant involvement will give vast opportunities to investors to invest their means profitably, allow to perfect interrelations between its elements, aimed to provide favorable conditions for investment funds and performing investment activity.

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