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RISKS OF INNOVATIVE ACTIVITY IN ENSURING SUSTAINABLE DEVELOPMENT OF THE REGION

All transactions in the securities market involve risk. Participants in this market take on a wide variety of risks, including a decrease in profitability, direct financial losses, and lost profits. *However, different types of financial risk have to be taken into account in each case:*

Systematic risk – the risk of a fall in securities in general. It is not related to a specific security, is undiversified and unmitigated (in the Ukrainian market). It is a general risk for all investments in securities, the risk that the investor will not be able to release them as a whole, return them without incurring losses. The analysis of systematic risk is reduced to assessing whether it is worth dealing with a portfolio of securities at all, or whether it is better to invest in other forms of assets (direct cash investments, real estate, currency).

Unsystematic (individual) risk is an aggregate concept that combines all types of risks associated with a particular security. Non-systematic risk is diversified, reduced, in particular, a security may be selected (by type, by issuer, by issue terms, etc.) that provides acceptable values of non-systematic risk. [1, p. 32].

Selective risk is the risk of incorrect selection of securities for investment compared to other types of securities when forming a portfolio. This risk is associated with an incorrect assessment of the investment qualities of securities.

Timing risk is the risk of issuing, buying or selling securities at the wrong time, which inevitably leads to losses. There are also more general patterns in developed and emerging stock markets, such as seasonal fluctuations (securities of trading, agricultural and other seasonal companies), cyclical fluctuations (movement of securities in different phases of macroeconomic reproduction cycles).

The risk of legislative changes is a risk that may result, for example, in the need to re-register issues and cause significant costs and losses for the issuer and investor.

The issuance of securities may be invalidated, and the legal status of intermediaries in securities transactions may change adversely.

Liquidity risk is the risk associated with the possibility of losses on the sale of securities due to changes in the assessment of their quality. It is currently one of the most common in the Ukrainian market.

Credit business risk is the risk that an issuer of debt securities will be unable to pay interest on them and/or the principal amount of debt.

Inflation risk is the risk that, in the event of high inflation, the income received by investors from securities depreciates in terms of real purchasing power, and the investor suffers real losses. It has long been noted in global practice that high inflation destroys the securities market, although many ways have been developed to reduce inflation risk.

Interest rate risk is the risk of losses that investors may incur due to changes in market interest rates. As you know, an increase in the market interest rate leads to a decrease in the exchange value of securities, especially fixed interest bonds. An increase in the interest rate may also lead to a massive 'dumping' of securities issued at lower (fixed) interest rates and, under the terms of issue, repurchased by the issuer ahead of schedule.

Interest rate risk is borne by an investor who has invested in medium- and long-term fixed interest securities in the event of a current increase in the average market interest rate compared to a fixed level (i.e. the investor could receive an increase in income due to an increase in interest, but cannot withdraw his or her funds invested under the above conditions). Interest rate risk is borne by an issuer that issues medium- and long-term fixed interest securities in the event of a current decline in the average market interest rate compared to a fixed level (i.e., the issuer could raise funds from the market at a lower interest rate, but it is already linked to the terms of the securities).

In an inflationary economy with rapidly rising interest rates, this type of risk is also relevant for short-term chain securities.

Call risk is the risk of losses for the investor if the issuer calls back the callable bonds due to the excess of the fixed level of interest payments on them over the current market interest rate.

Political, social, economic risks - investment in securities of companies under the jurisdiction of countries with unstable social and economic situation, with unfriendly relations to the country where the investor is a resident. In particular, political risk is the risk of financial losses due to changes in the political system, the alignment of political forces in society, and political instability.

Regional risk is a risk that is particularly inherent in mono-product areas. For example, in the early 1980s, the economies of Texas and Oklahoma (gas and oil production) experienced difficulties due to falling oil and gas prices. Several of the largest regional banks went bankrupt. Of course, investors who had invested in securities of the economy of these regions suffered significant losses. In the event of a government crisis, regional risks may arise from political and economic separatism in certain regions. A high level of regional risks is also associated with the depressed state of the economy in a number of regions.

Industry risk is the risk associated with the specifics of individual industries. From the perspective of this type of risk, all industries can be divided into those subject to cyclical fluctuations, dying, stable, and rapidly growing. Sectoral risks are manifested in changes in the investment quality and exchange rate value of securities and corresponding losses of investors, depending on the type of industry and the correctness of investors' assessment of this factor.

Enterprise risk (financial and non-financial) is a risk similar to the industry risk and largely derived from it. At the same time, the type of company's behaviour contributes to the change in risks. It can be a conservative enterprise that pursues expansion and universalisation strategies and prefers to occupy one or more niches in the market and reap all the benefits of maximum specialisation of its work, high quality products (services) and stable clientele. A different degree of risk will be inherent in the securities of an aggressive enterprise, perhaps a newly established one. And finally, the company's behaviour may be characterised by moderation, which allows it to combine aggressive and conservative types of behaviour.

Currency risk is the risk associated with investments in foreign currency securities caused by changes in foreign exchange rates.

Capital risk is the risk of a significant deterioration in the quality of the securities portfolio, which leads to the need for large-scale write-offs of losses and, as a result, to significant losses and may affect the bank's capital, causing the need to replenish it by issuing new securities.

Delivery risk is the risk that the seller fails to fulfil its obligations to deliver securities on time. This risk is particularly high when conducting speculative operations with securities based on short sales (the seller sells a security that he does not have in stock and which he is only going to purchase before delivery). The risk may also be realised for technical reasons (imperfections in the depository and clearing network).

Operational risk is the risk of losses arising from malfunctions of computer systems for processing information related to securities, poor quality of technical staff, violations in the technology of securities transactions, and computer fraud.

Settlement risk is the risk of losses on securities transactions associated with deficiencies and technology failures in the payment and clearing system.

Effective investment activity requires capital sufficient for diversification of investments, otherwise it is better to entrust stock market operations to specialised companies (e.g. funds) capable of accumulating funds of many small investors for rational investment portfolio construction; the risk degree of a particular security should be determined in relation to other securities, and best of all - in relation to the risk degree of the stock market as a whole, i.e. as a share of the division of the indicator If the relative risk price is greater than one, it means that this type of security is more risky than the stock market as a whole and vice versa. Accordingly, a guaranteed zerorisk security is an investment that generates a fixed amount of income over a certain period of time (for example, investments in short-term US government bonds).

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CORPORATE GOVERNANCE AND ITS ROLE IN ESG INITIATIVES

Corporate governance is a crucial component of a company's sustainable development, playing a key role in shaping ESG (Environmental, Social, and Governance) initiatives. Modern trends in corporate management highlight the growing importance of integrating ESG approaches to achieve sustainable business practices, enhance corporate reputation, and mitigate risks. This topic is particularly relevant in the context of globalization and the increasing impact of climate and social challenges [1-2].

According to MSCI research in 2023, companies with high ESG ratings saw a 10% reduction in capital costs compared to their competitors, indicating their attractiveness to investors. Moreover, PwC's study shows that 79% of executives believe that effective corporate governance contributes to sustainable development. This underscores the need to integrate ESG factors into corporate governance strategies, enabling risk minimization and maximizing long-term shareholder value [3- 4].

Corporate governance refers to the system of relationships between company management, shareholders, and other stakeholders, ensuring effective resource management to achieve long-term goals. Over the years, corporate governance has evolved from traditional shareholder management to a more comprehensive approach that includes the interests of employees, consumers, partners, and society at large.

With the increasing focus on ESG initiatives, companies are now compelled to pay greater attention to their environmental impact, social responsibility, and ethical