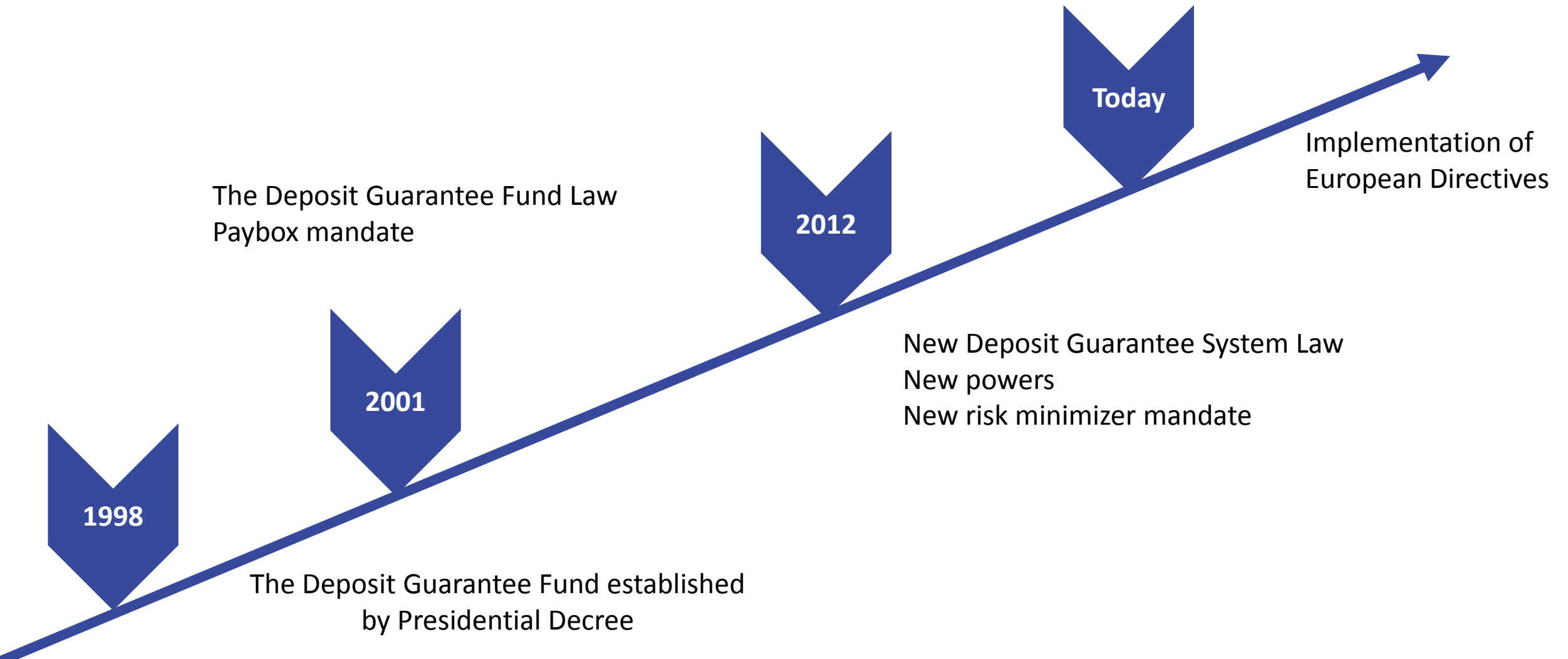




**Deposit Guarantee Fund
History:
Key Stages and Challenges**

Institutional Development Stages of the Deposit Guarantee Fund



First Steps: Paybox Mandate



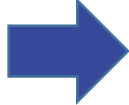
Powers:

Making payouts if deposit is not accessible


First Payments:

Slovianskiy Bank

Coverage limit

UAH500  UAH200 000

1998 - 2012



32 banks



UAH **4.4** bln
paid out



358,000
depositors

2012



The Deposit Guarantee System Law

New Mandate:
“Loss Minimizer”

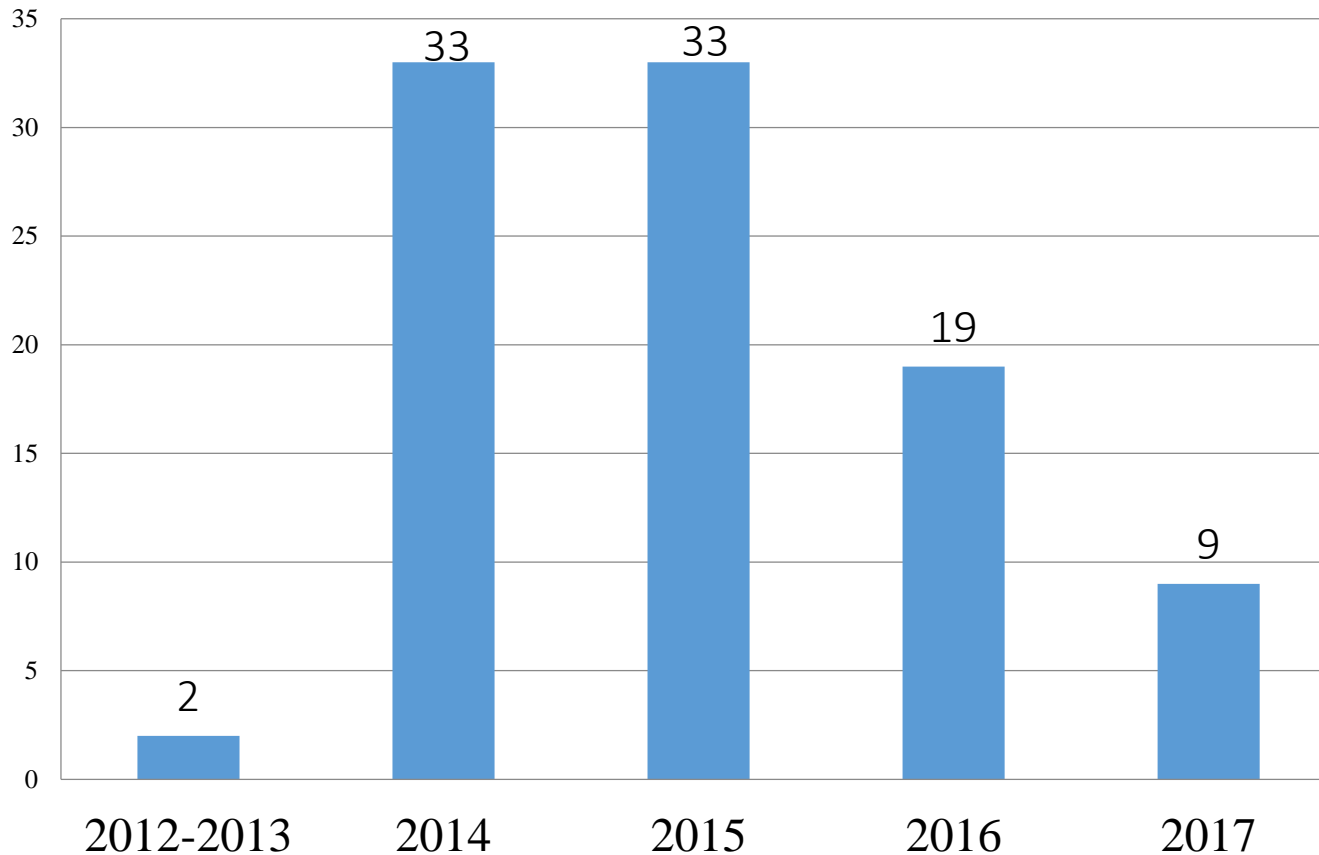
New powers:
Resolving banks deemed
failed by NBU

Resolving the first bank:
Erde Bank

Bank Resolution



Number of banks transferred to the DGF



Transferred to the DGF: **96** banks, incl.:

1 bank placed under temporary administration

2 banks sold to investors as a whole

1 bank sold to the State

2 bridge banks (with liquidation)

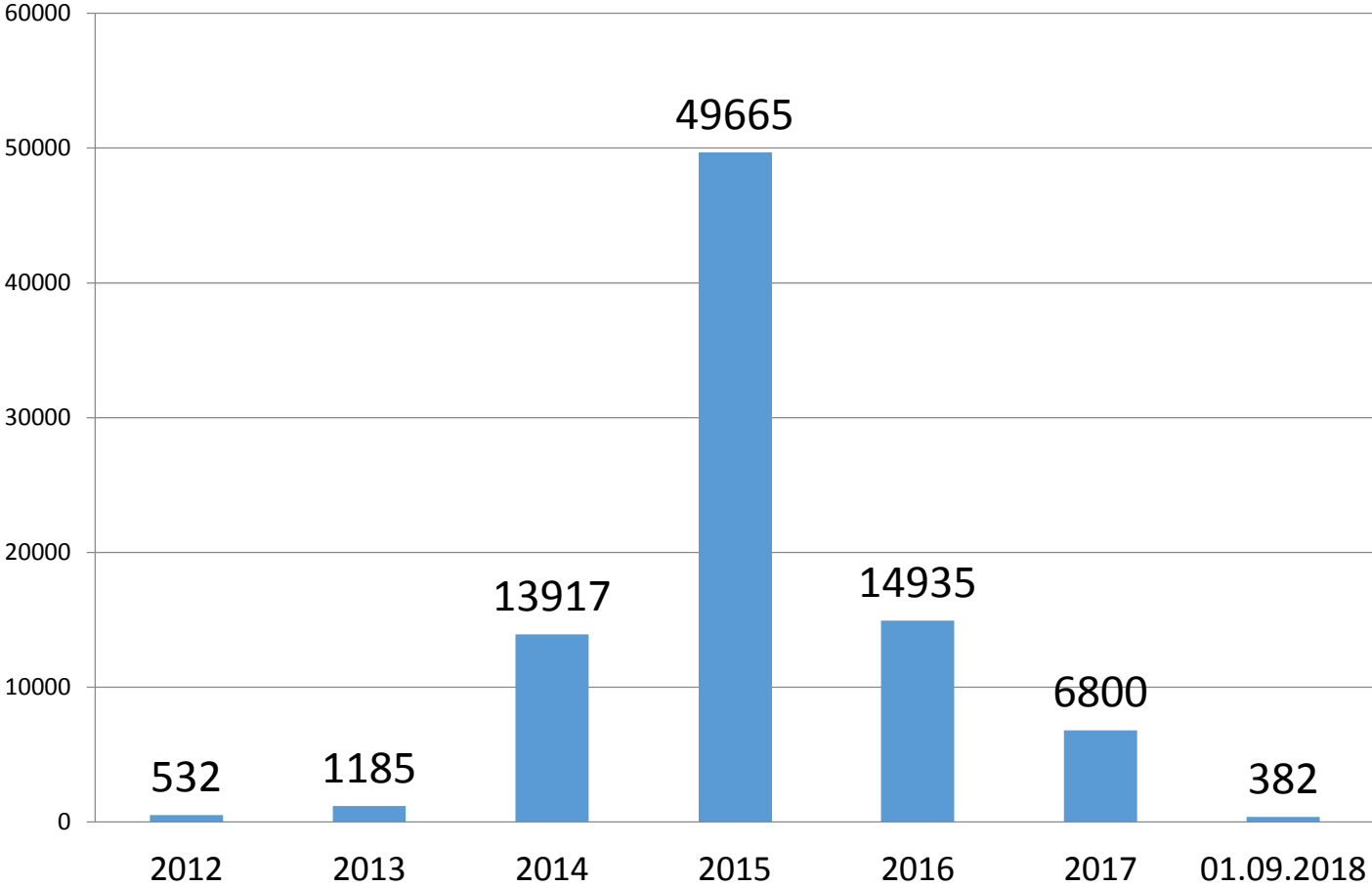
at **5** banks purchase and acquisition (with liquidation)

85 banks liquidated

Guaranteed Payouts



Total payouts made, UAH mln



Total payouts made

UAH 88.3
billion

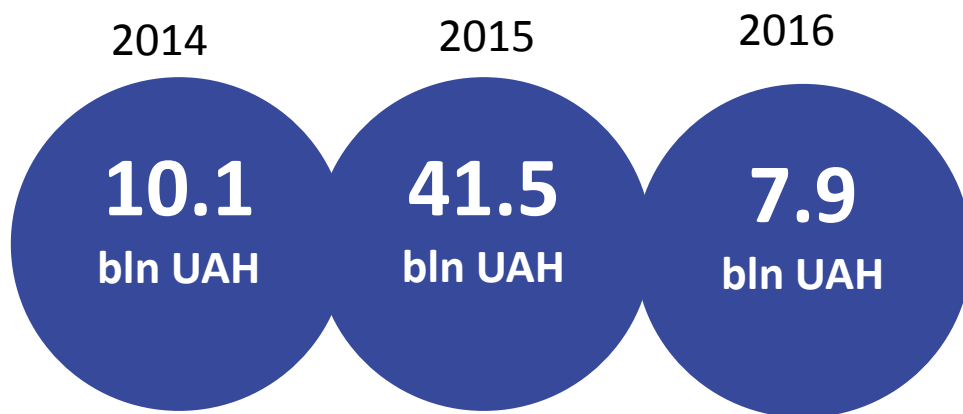
Payouts received by

2 mln
depositors

The 2013-2014 Crisis – DGF had to borrow

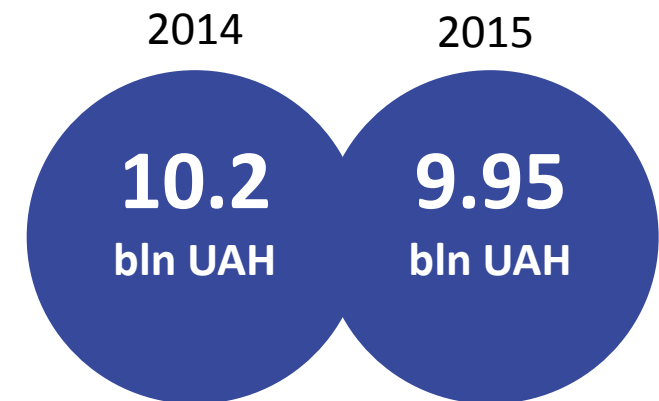


From the Ministry of Finance



Cost of borrowings: **from 9.99% to 12.5%**

From the National Bank

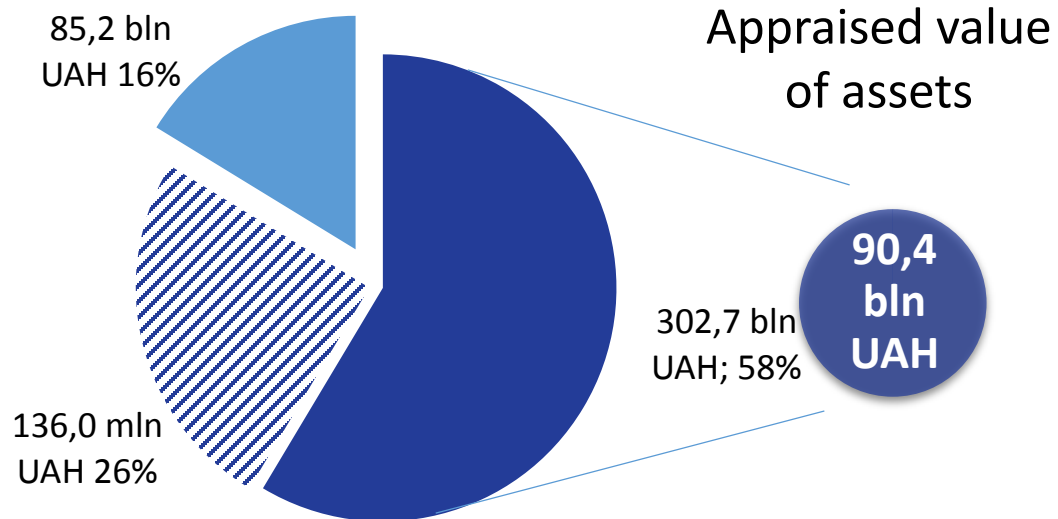


Cost of borrowings: **12.5% and 14%**

Asset Quality

“Paper” value of assets

523,9 bln UAH



90,4
bln
UAH

- loan portfolio
- ▨ interest charges during provisional administration and liquidation
- other assets



Factors affecting asset quality

Three-fold hryvnya devaluation against other currencies during the period of 2014-2016.

Temporary occupation of Crimea and ATO

Failures of borrowers – legal entities

Asset stripping by:

Selling assets at understated (non-market) prices

Releasing pledged assets

Reassigning the right of claim under accounts payable

Withdrawing cash by owners and bank management through the lending arrangement

Putting cash into correspondent accounts with foreign banks

Today



82 banks
DGF members



96 banks
Transferred to the DGF during 2012-2017



UAH 88.3 billion
*Total amount paid to depositors**

** For banks placed under DGF management after the Deposit Guarantee System Law became effective (Feb.23, 2012)*



UAH 20.1 bln -
NBU loan



UAH 59.6 bln -
MOF loan



UAH 80 bln -
MOF loan interest to be paid by 2031

As of Sep. 1, 2018

Guaranteed Payouts

AUTOMATED PAYOUT SYSTEM launched

56
banks

connected to the
system

80%
of all payouts

Are made
through the
system

- Payout network expanded
- Payout points brought closer to depositors
- Fast payouts
- Possibility of receiving payouts for several failed banks at one payout point
- Continuous payout process



Payouts to depositors of

80 banks
continue

2017, 2018
years without new borrowings

* On July 27, 2018, the DGF made an early repayment of MOF promissory notes for UAH 1 billion.



REPAID

(Principal and interest)

2017

9 months of 2018

National Bank

3,63 bln

4,3

bln

Ministry of Finance

1,26

bln

1,66*

bln

Financing



Streamlining the existing funding system:

- Launched: a full-blown and fair system of differentiated contributions based on risk assessment, taking into account assets reported in the balance sheet, as well as risk indicators, such as capital adequacy, asset quality and liquidity

IN THE FUTURE

Resolve issues concerning the revision of the existing model:

- Set such a basic contribution rate that will provide the DGF with necessary financial resources (Art 10, part 2, paragraph 3 of Directive 2014/49/EU)
- A deposit insurer (resolution authority) is funded by DGF members (Sec. 6.2, 6.3, Key Attributes, Art. 10, part 8 of Directive 2014/49/EU)
- Review the DGF borrowing terms (no loans from the Government – Art. 56 of Directive 2014/59/EU)
- Set up a separate resolution fund (a separate account with the DGF) (Sec. 6.3 Key Attributes, Title VII of Directive 2014/59/EU)

Sale of Failed Banks' Assets



90% Of bank assets are traded through 



New trading model

- Dutch auctions
- Offered lots for sale



Phase 2

- From unsold lots offered for sale are 44 pools of assets with a starting price of UAH 13.889 billion and book value UAH 69.443 bln

Maximum disclosures about assets offered for sale

Established:

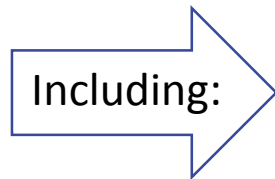
A register of failed banks' assets

A virtual data room

Investigation of wrongdoings



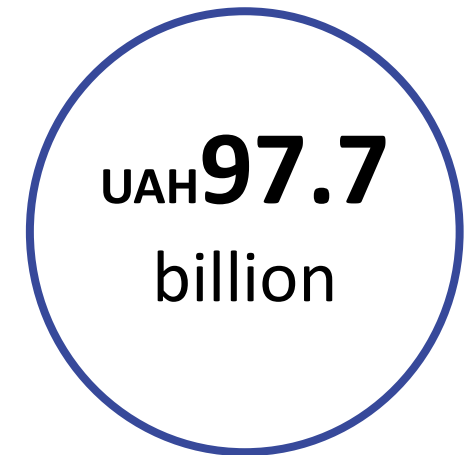
5 296 reports of criminal offences for a total amount of



427 against related parties for a total amount of



86 regarding forced insolvency for a total amount of



Forensic audit

14

Failed banks



Completed

М Банк
Михайлівський

ХРЕЩАТИК
БАНК

БРОКБІЗНЕСБАНК



БАНК «ФІНАНСИ та КРЕДИТ»

Банк Київська Русь

УФС•БАНК

Терра Банк

FIDOBANK

VAB
БАНК

FinBANK
ПІЛ-ФІНАНС

ЕВРОБАНК

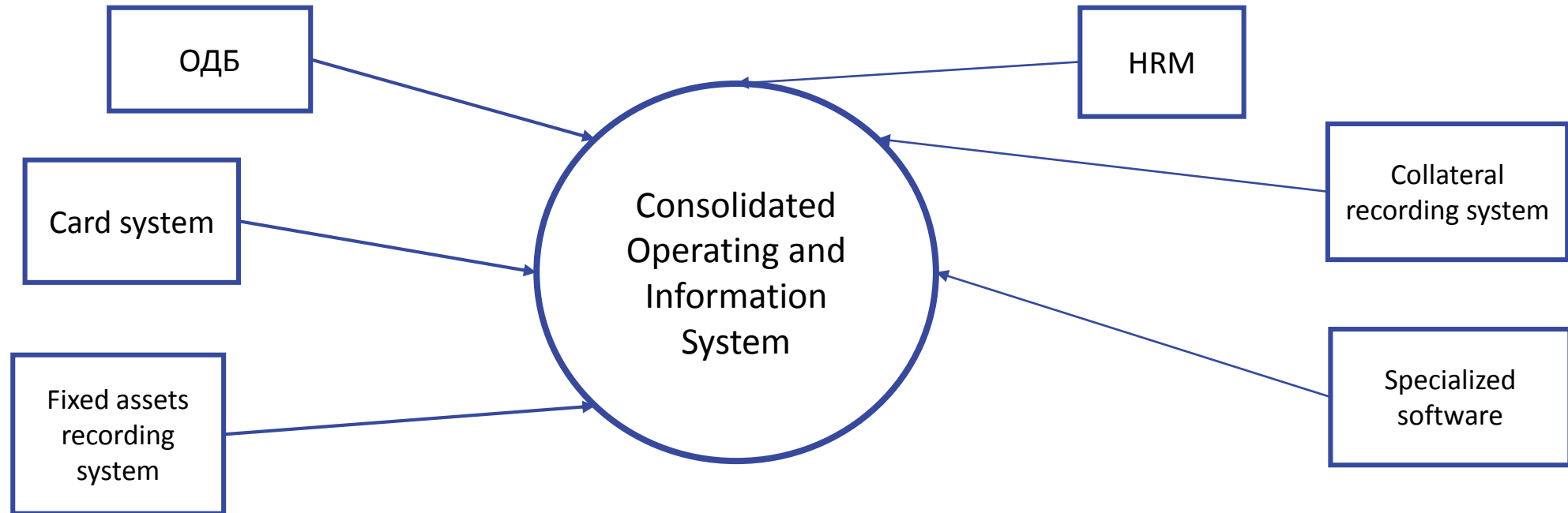
УПБ
УКРАЇНСЬКИЙ
ПРОФЕСІЙНИЙ
БАНК

In progress

ІМЕКСБАНК

Pt Platinum
Bank®

Consolidation of Failed Banks' Information Systems in DGF



Consolidated reporting

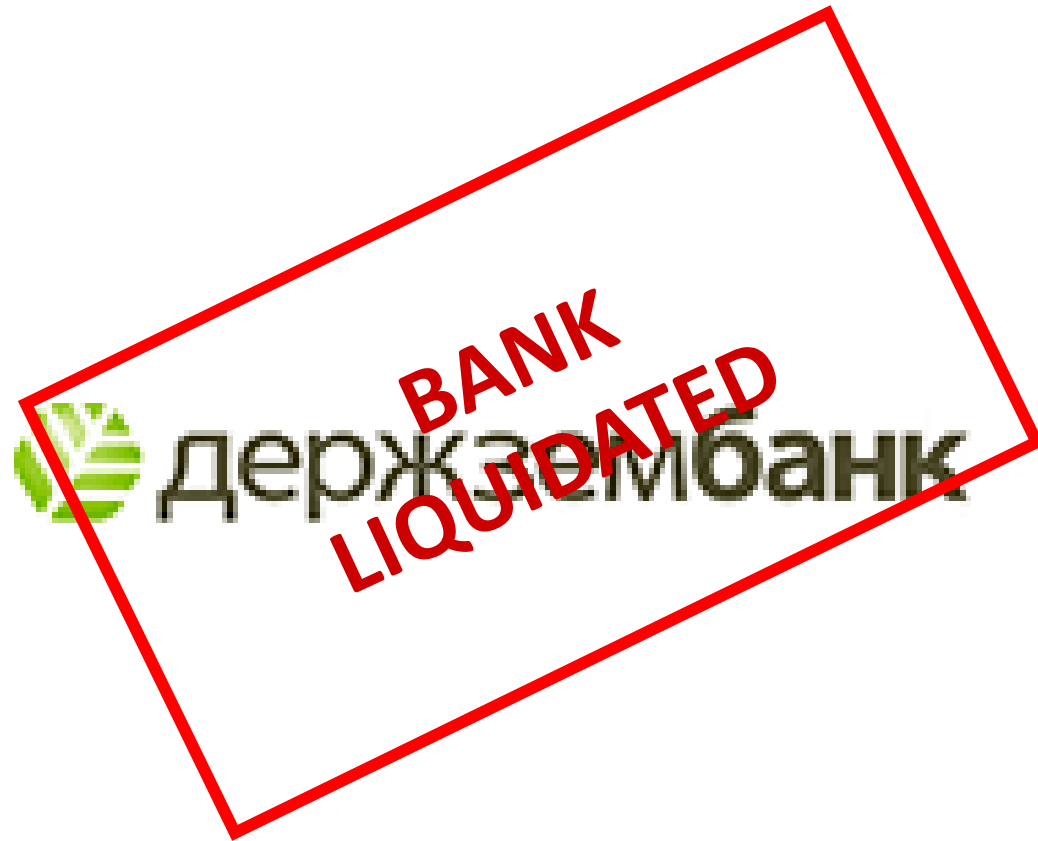
Consolidated management

Consolidated model of records

Single entrance to and exit from the Data warehouse

Consolidated platform

Liquidation procedures completed



46

banks, where the liquidation completion procedure has begun

Including:

4

Applied for making a legal entity termination entry in the Comprehensive State Register

Improving Financial Literacy



**Educational
video spots
developed**



**Educational guarantee
system course distributed**



**Brochures with practical tips
prepared**



**Internal team of trainers
prepared**



**Participated in Financial
Awareness Days**



**Trainings for Financial Literacy
teachers delivered**



**Educational
events
for children conducted**



**Video contest among
university students organized**

Consumer Protection



ДГФО
ФОНД ГАРАНТУВАННЯ ВКЛАДІВ ФІЗИЧНИХ ОСІБ

Restoring violated rights of depositors based on the consideration of their complaints

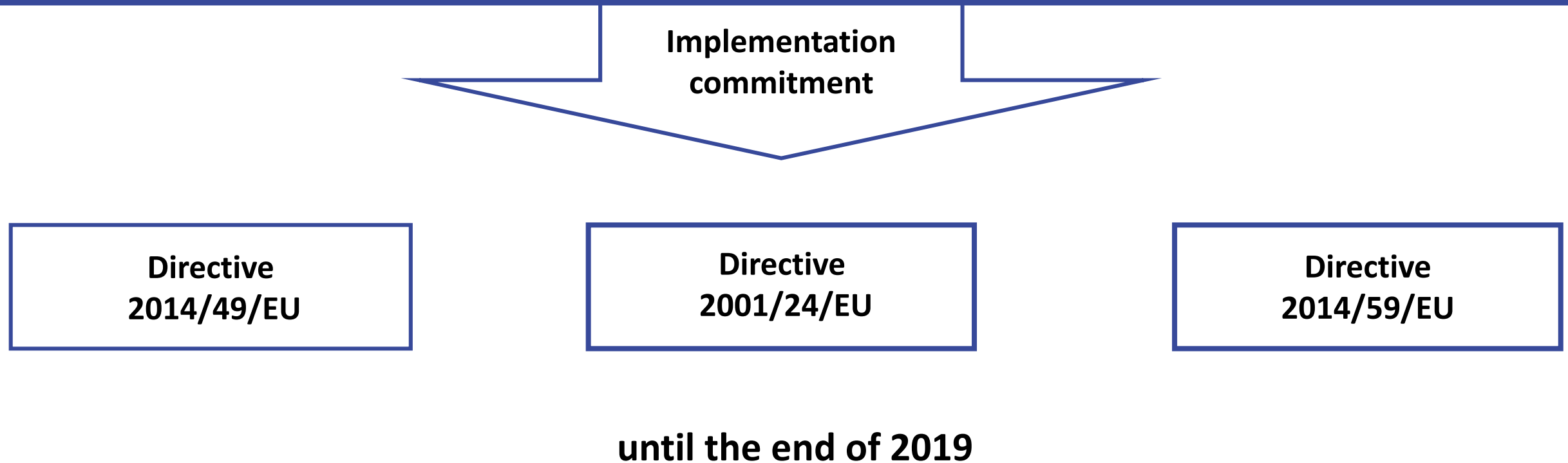
Monitoring banks' compliance with the DGF's disclosure requirements for offices and websites, agreements

Monitoring new bank products

Ensuring that agent banks respect depositor rights when making guaranteed payouts

Interacting with associations and action groups of depositors of failed banks

Association Agreement between Ukraine and the European Union, European Atomic Energy Community and Their Member States



Directive 2014/24/EU



- Liquidation procedures apply to institutions other than banks: credit institutions and investment companies
- Depositors can receive their money, with interest accrued and without losses, in the course of reorganization actions during liquidation procedures
- Personal notification of known creditors of credit institutions and investment companies
- Paying compensation in respect of any damage done to creditors in the course of liquidation procedures
- Implementing close-out netting procedures and REPO transactions at the liquidation stage, abiding by the terms of agreements in conducting liquidation procedures

Directive 2014/49/EU



- Including credit institutions other than banks in DGF membership
- Raising the coverage limit to the European level
- Reducing the period before payouts begin to 7 calendar days
- Changing the DGF financing system (no borrowings from the Government, creating a new financing fund)
- Improving transparency and raising depositors' awareness of the guarantee system

Strengthening the DGF's institutional capacity before/ at early stages of the intervention in a bank's operation

New powers for the DGF:

- Preparing settlement plans for viable banks that are important for Ukraine's financial system;
- Applying bail-in tools, improving existing settlement and resolution tools

Strengthening information sharing and coordination of activities between NBU and DGF;
Introducing a consensus-funding mechanism for making decisions regarding banks

Introducing an early warning system to estimate possible bank resolution and payout costs to the DGF

Granting the DGF authority to make single-handed decisions on restrictions in the bank's operation, applying resolution arrangement if specified criteria are met

The right of the DGF to start preparing for managing bank assets before resolution by appraising them and monitoring their condition

Directive 2014/59/EU

New approaches to bank resolution arrangement

The resolution arrangement can lead to:

- Bank recovery
- Bank liquidation

The DGF ensures that the bank continues to perform its key functions, without disruption, during the resolution procedure

Improving and updating existing resolution methods, implementing new methods (write-off or conversion of liabilities)

Changes in attitudes toward shareholders and other bank creditors (introducing compensations for losses incurred)

Introducing the regulator decisions appeal mechanism and considering possible outcomes of such appeals

Changing the resolution financing procedure (setting up a resolution fund at the expense of banks)





Thank you!