

**Papaika O.O.¹, Dr. Sci. (Ekon.),
Prof.,**

Nosachova I.V.²

1 – Donetsk National University of Economics and Trade named after Mykhayilo Tugan-Baranovsky, Donetsk, Ukraine, e-mail: papaika-aa@yandex.ua

2 – Donetsk National University of Economics and Trade named after Mykhayilo Tugan-Baranovsky, Donetsk, Ukraine, e-mail: bank@kaf.donduet.edu.ua

THE CONTRIBUTIONS AT THE DEPOSIT GUARANTEE FUND AS A SPECIFIC BANK TAX

Objective. *The grounding of the measures to the improvement of the methodical approach to the establishment of payments size of banks at the Deposit Guarantee Fund.*

Methods. *Such methods are used in the process of research: theoretical generalization and comparison, analysis and synthesis (for interpretation of economic essence of payments in Deposit Guarantee Fund), analysis of dynamics of basic fund indicators from the beginning of his creation, estimation of meaningfulness of separate sources of fund, systematization of results of revision of participants (of temporal participants) of fund, comparative jurisprudence.*

Results. *The debatable aspects of interpretation of essence of payments in Deposit Guarantee Fund, the forming of their size and order of payment are determinate. The dynamics of basic fund indicators is analyzed from the beginning of his creation, the role of payments in forming of budget of Fund, the typical violations are generalized. The recommendations to the improvement of the methodical approach to the establishment of payments size of banks are grounded on the basis of critical estimation of domestic practice and the front-rank world experience.*

Academic novelty. *The methodical approach to differentiation of rates of regular payment at the Deposit Guarantee Fund is specified on the basis of the combining of two bases of calculation of payment: the balance of the deposits and percents on them, and also volume of the formed reserves to the compensation of possible losses on a credit and to the operations security-related. The offered approach takes into account the risk of assets of bank, unlike existing, balances the volume of payments and probability of insolvency of bank.*

Practical importance. *The got results is directed on distribution of volume of coverage from bringing in to the system of Deposit Guarantee of legal entities and depositors of credit unions – physical persons, that will assist the decline of risks of*

depositors, the increasing of firmness of the financial system, the creation of condition for activation of credit activity of banks and credit unions.

Key words: *payments, deposit, guarantee, fund, specific bank tax.*

The raising of problem and her copulas is with major scientific and practical tasks. The important direction of the increasing of tax policy competitiveness at Ukraine is the providing of the stable functioning of financially-bank sector of national economy. A trust of depositors is the basis of banks resources increasing. The important instrument of her providing is guaranteeing of availability of deposits of population. The questions of development of the system of deposit guarantee include the wide spectrum of directions. In Ukraine, as a rule, it is constrained with the discussion of level of maximal indemnification in the case of bankruptcy of banks. The assured sum of compensation is determined at the level of UAH 200 thousand by the decision of administration board of deposit guarantee fund (DGF) from August, 21 in 2012.

The analysis of the last researches and publications studied by author in which the decision of the given problem is founded, the selection of unsolved part of general issue, which it article is dedicated. The system of defence of deposits in Ukraine has ambiguous estimations. So Bezvuh S. V., Servetnyk I. V. consider that the bases of DGF activity and the assured sum of compensation are answered the minimum requirements of European and American practice. However the low limit of Fund, which is sufficient for a stable economy, is unsatisfactory at the period of financial crisis [1, c. 128]. Therefore suggestions are taken to the necessity of filling of Fund by the increase of contribution rate. But such step must be temporal for achievement by Fund of sufficient middle or maximum recommended size, at first. The increase of contribution rate for filling of Fund maybe, when the banking system will go out from a crisis, secondly

The other point of view are also, in opinion of Bolgar T. M. the moral hazard increases at conditions of overpriced sum of indemnifications from the deposit guarantee fund [2, c. 40]. A depositor becomes less legible at the choice of bank. For him questions of reliability of bank of already are not near-term, and the size of percent becomes a basic criterion for opening of deposit, while the economic risks must be divided between all members of market. Thus, without regard to contradictory suggestions, actuality of reformation of approaches to forming of deposit guarantee fund is undoubted.

The forming of the article aims (the raising of task) is an improvement of the methodical approach to establishment of contributions size to DGF on the basis of critical estimation of the domestic practice and the front-rank experience at world.

The exposition of basic material of research is with a complete ground of the got scientific results. The creation of DGF became a progressive step taking into account the foreign experience. The President of Ukraine is signed the Decree "About the measures in relation to defence of rights for physical persons - of depositors of commercial banks" in 1998. It ratified Statute of deposit guarantee fund, the forming and use of his money. On September, 20 in 2001 the Supreme Rada of Ukraine is

passed an Act of Ukraine "About of deposit guarantee fund", which went into effect on October 24, 2001. A fund is the public, specialized institution which executes the functions of state administration in the field of deposit guarantee fund.

Legal nature of contribution to DGF is debatable. Article of a 14 Law of Ukraine "About the system of taxation", which lost an action after the acceptance of Internal revenue Code of Ukraine, took contributions at deposit guarantee fund (initial, regular, special) to the national taxes and contributions (obligatory contributions)[3]. The Internal revenue Code of Ukraine takes the contributions at deposit guarantee fund to the charges of operating activity of commercial banks (article 138.1.1). We are dividing opinion of Kravchenko N.G., that DGF in Ukraine is the variety of the bank reserves with the special status, as is the fund of monetary resources, its legal nature is close to the funds, created on tax principles [4, c. 67]. It is possible to define the elements of this contribution: a subject of contribution is banks which purchased status of Fund member; the object of levying contribution - the deposit of physical persons in the national and foreign currencies, the percents by it. The rate of contribution is determined for every type of contribution separately.

The initial contribution in Fund in the size of one percent of the registered capital of the bank (of the capital of branch of foreign bank) is enumerated by members on the account of Fund during thirty calendar days from the day of license receipt to banking. The previous version of Law of Ukraine "About deposit guarantee fund" is provided the extra charge of regular contribution the members (by temporal members) of DGF twice on a year for a 0,25 percent of lump sum of deposits, including the percents, on the state on December 31 of previous year, and on June 30 of current, year [5]. The enumeration of the regular contribution is carried out by the members (by temporal members) of Fund quarterly by equal stakes a to 15 number of following month.

The operating version of Law provides for, that the DGF member must accrue regular contributions to the DGF as of last day of each quarter. The annual rate of contribution shall be equal to 0.5 per cent of the calculation base in local currency and 0.8 per cent – in foreign currencies [6]. If the National Bank of Ukraine makes a decision to revoke a banking license and liquidate a bank, such bank is obliged to accrue regular contribution to the DGF for the period date following the last reporting period to the day preceding the date when the decision of the National Bank of Ukraine was made and make contribution to DGF within 15 days. Calculation base is equal to arithmetic average amounts of daily residual on deposit accounts and accrued interests for a reporting period. The DGF is entitled to issue regulations introducing the calculation method for regular contributions to the DGF in the form of differentiated contributions. The calculation of the differentiated contributions is based on risk-based adjustment of the basic annual contribution rate. The differentiated contribution rate shall be not less than the basic annual contribution rate. The bank risk evaluation method for calculation of differentiated contributions is set forth in the DGF regulations upon an agreement with the National Bank of Ukraine.

It is offered for differentiation of rates of regular contribution at the deposit guarantee fund the combined approach which foresees two bases of calculation of

contribution:

$$3p_i = F(3E_i) + F(PK_i; P_{S_i}),$$

where $3p_i$ - the regular contribution in the deposit guarantee fund of i bank;

$F(3E_i)$ – the part of regular contribution, that is determined on the base of deposit balance and percents of i bank;

$F(PK_i; P_{S_i})$ – the part of regular contribution, that is determined on the base of volume of the formed reserves to the compensation of possible losses on a credit and to the operations securities-related of i bank.

The offered approach takes into account the risk of assets of bank, unlike existing, balances the volume of contributions and probability of insolvency of bank.

The DGF shall have the right to make a decision to introduce a special contribution to the DGF, if the current revenues of the DGF are insufficient for the fulfillment of the DGF's liabilities to depositors and/or liabilities associated with servicing and payout of the obtained loans to the full extend. A DGF member must pay special contribution to the DGF within the time-limit and subject to conditions prescribed by the regulations of the DGF. Total amount of the special contribution paid by the DGF members during a year must not exceed the amount of regular DGF member contribution paid by the DGF member for the previous year. A dynamics over of basic performance of DGF indicators is brought in a table 1

Table 1

The dynamics of basic performance of DGF indicators

Date	An amount of banks is in Fund			Sum of deposits of physical persons, UAH millions	Amount of depositors, millions of persons	Middle size of deposit, UAH	Financial resources, UAH millions	Level of coverage of deposits, %
	all	Members	Temporal members					
01.01.2001	134	134	0	5,6	5,4	1046	74,3	1,33
01.01.2002	135	135	0	9,3	4,8	1915	68,8	0,74
01.01.2003	152	152	0	16,6	7,0	2376	155,4	0,94
01.01.2004	153	148	5	29,2	10,5	2780	242,8	0,83
01.01.2005	160	153	7	38,4	15,0	2559	407,0	1,06
01.01.2006	163	157	6	67,9	18,6	3656	629,7	0,93
01.01.2007	166	163	3	100,4	24,2	4143	867,0	0,86
01.01.2008	172	170	2	155,2	29,6	5243	1335,5	0,86
01.01.2009	183	183	0	204,9	34,5	5935	2987,3	1,46
01.01.2010	184	172	12	198,0	31,6	6273	4302,7	2,17
01.01.2011	175	170	5	254,2	32,6	7802	3390,3	1,33
01.01.2012	175	170	5	282,6	35	8072	4827,3	1,71

The DGF members are banks. The membership of banks in DGF shall be mandatory. Specifics of a bridge bank's membership in the DGF shall be set forth in this Law and regulations of the DGF. A bank shall acquire a DGF member's status on the date when such a bank obtains a banking license. A bank shall pay contributions to the DGF as set forth in this Law, and comply with other requirements of this Law and regulations of the DGF. The DGF shall have the right to receive information from a bank free of charge on the bank's operations, all kinds of explanations, all documents necessary for conducting an inspection and performing other functions of the DGF under this Law. A bank must provide to the DGF, at its request or in accordance with legal requirements, documents and other information necessary for performing the functions of the DGF under this Law. Banks shall provide information considered a bank secrecy according to the Law of Ukraine "On Banks and Banking". The DGF shall exclude a bank from its members if a decision to revoke its banking license and liquidate a bank has been taken. The DGF shall maintain a register of the DGF members as prescribed by the regulations of the DGF.

The amount of members grew during 2001-2011 from 134 to 175, and temporal members - from 0 to 5. The sum of deposit of physical persons grew from UAH 5,6 to 282,6 milliards, or in 50,5 times, the amount of depositors - from 5,4 to 35 million persons, or in 6,5 times, the middle size of deposit - from UAH 1046 to 8072, or in 7,7 times, the financial resources of DGF - from UAH 74,3 to 4827,3 million, or in 65 times. In the total the level of coverage of sum of deposits increased from 1,33% to 1,71%. The calculation of coverage of amount of deposits is executed in a table. 2.

Table 2

The deposits of physical persons in the DGF members (temporal members) by the state on 01.10.2011

Size of deposit	Amount of depositors		Sum of deposits	
	persons	specific gravity, %	UAH thousand	specific gravity, %
to UAH 1	5991294	17,2	2328	0,0
from UAH 1 to 50000	27879681	80,1	57529267	20,8
from UAH 50000 to 150000	689112	2,0	58383747	21,1
from UAH 150000 to 250000	146803	0,4	27318511	9,9
over UAH 250000	120443	0,3	133199485	48,2
All	34827333	100,0	276433338	100,0
Deposit to UAH 150000	34560087	99,2	115915343	41,9

The deposits to UAH 150 thousand there is 99,2% from it the general amount and 41,9% from the it lump sum. The financial resources of DGF is a UAH 3390347,5 thousand from which a 3200040,0 is invested in state securities, 190307,5 – the money on the checking accounts of DGF by the state on in 01.01.2011. The DGF has such sources of receipt of money: the initial and regular contributions of DGF members; a fine is for ill-timed or incomplete enumeration of contributions to

DGF; the profits are from investing of money of DGF in state securities; percents on accounts of DGF, opened in NBU.

Table 3

A receipt of money of DGF during 2009 - 2011

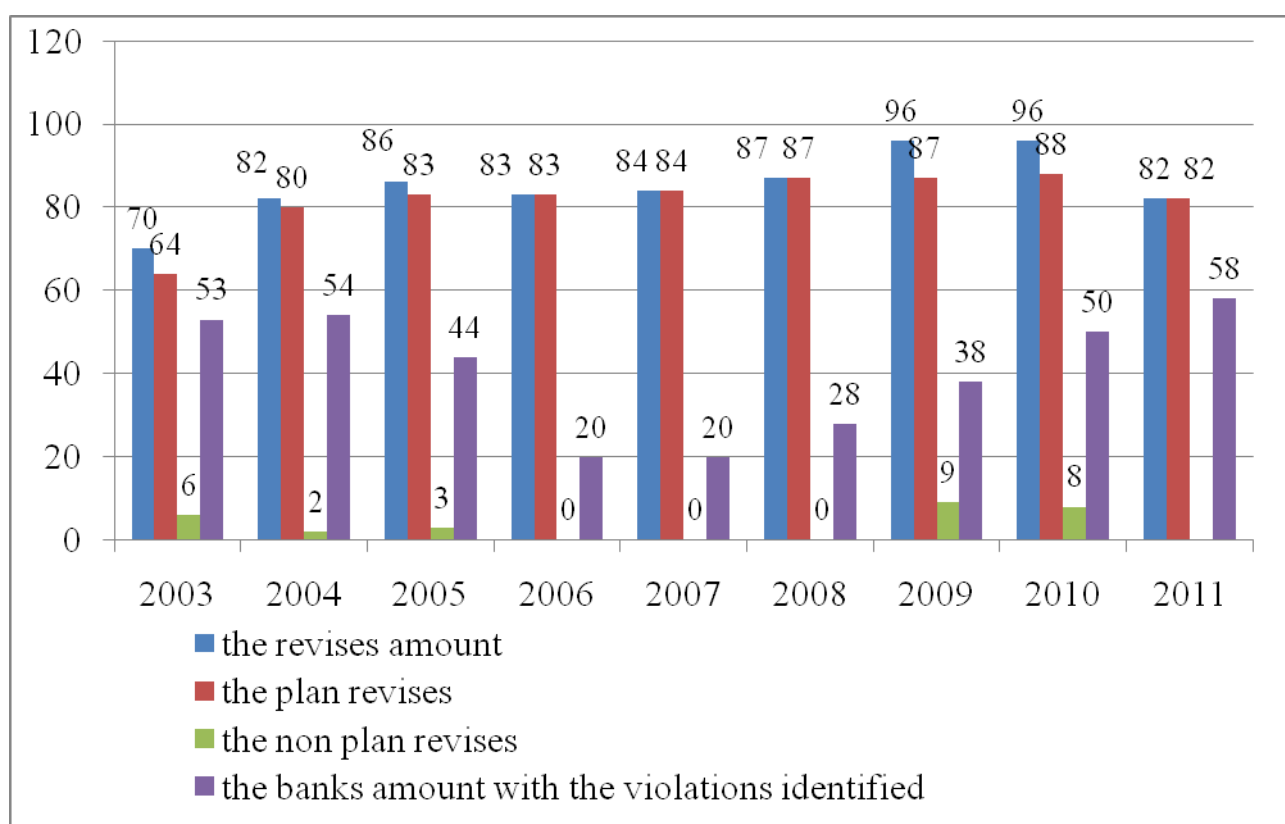
Source of forming of money of Fund	2009		2010		2011	
	sum, UAH thousand	specific gravity, %	sum, UAH thousand	sum, UAH thousand	sum, UAH thousand	specific gravity, %
Initial contribution	6936,7	0,29	3150	0,24	4950,0	0,30
Regular contribution	919683	39,05	960747	71,87	1284662,8	78,47
A fine is for ill-timed or incomplete enumeration of contributions	206,1	0,01	476,6	0,04	9414,8	0,58
Addition to money of Fund, by law Ukraine "About the State budget on 2009 p".	1000000	42,46				
A net profit is from investing of money in bond of internal state loan	396911	16,85	347657	26,01	317377,4	19,39
Percents on Fund accounts, open in NBU	31171,8	1,32	24760,2	1,85	20798,4	1,27
All the receipts	2354908	100,00	1336790	100,00	1637203,4	100,00

In 2010, the Fund continued to accumulate funds to perform its assigned tasks. As of 01.01.2011, Fund financial resources constituted UAH 3,390,347.5 thousand, of which UAH 3,200,040.0 thousand were invested in government securities, UAH 190,307.5 thousand are funds placed on current accounts with the Fund.

Sources of Fund revenues in 2010 were: initial and regular contributions from participants of the Fund; fine for untimely or incomplete transfer of contributions to the Fund; revenues from the investments in government securities; interest charged on account balances on settlements accounts opened by the Fund with the NBU Operations Department. The total Fund revenues in 2010 constituted UAH 1,336,790.3 thousand. In the revenue structure the largest share was of regular contributions - 71.87% and the net income from investments in government securities constituted 26.01%. In 2010 dynamics, Fund revenues were UAH 1,018,117.8 thousand, or 43.20% less than the year before due to lack of financing for the Fund in 2010 from budget programs.

In the revenue structure the largest increase in amount paid by participants (temporary participants) of the Fund as fine for untimely or incomplete transfer of contributions was UAH 270.5 thousand. This indicator increase is connected with fulfillment of obligations on payment of fine for prior periods by participants of the Fund in 2010. Increase in receipt of regular contributions as compared with the last year is insignificant - UAH 41,064 thousand, or 4.5%.

In the meantime, reduction in receipts of initial contributions by 54,6% in the reporting year as compared with 2009 was due to reduction in quantity of newly established banks. Net income from investments in government bonds and interest charged on account balances on the Fund's settlement accounts in the reporting period is 12.4% and 20.6% less, respectively. The Fund focuses its monitoring activities on identification of the initial stage of processes that develop into insolvency of banks, on adoption of efficient measures aimed at minimization of risks taken by the Fund and improving reliability of protection of retail deposits. Monitoring is carried out remotely and provides for analysis of deposit operations and financial condition of participants (temporary participants) of the Fund. The DGF are conducted of 766 revises of participants of Fund, from that 738 by the plan and 28 not provided for by the plan for the term of existence.



Picture 1 – The results of revises of DGF members

The main goal of the inspections is assessment of the compliance to the requirements of the "Deposit Guarantee Fund" Law and the standards and regulations of the Fund, more specifically [7]:

- 1) adequacy of the contributions and reports submitted to the Fund;
- 2) completeness and timeliness of the contributions' and fees to the Fund;
- 3) timeliness of the payout to the depositors;
- 4) completeness and authenticity of the depositors' registry;
- 5) compliance with the requirement to inform the depositors of the deposit insurance system in Ukraine;
- 6) adequacy of the information provided to the Fund.

The inspections findings demonstrate following violations in the reports submitted to the Fund by the banks:

- inactive retail accounts balances as well as the individual accounts posted to the accounts payable were not included into the report;
- the reports included legal entities accounts;
- errors in rounding foreign currency equivalent;
- the individual accounts balances were not included in the interest accrual records;
- individual accounts balances for the interest calculation without the adjusting entries;
- net deposit value included into accrued; expenses indicator or accrued expenses into net deposits indicator - discrepancies in the I report structure;
- including into the report data on the deposits in precious metal;
- including into the report data on the savings certificate payable on demand;
- including into the report money of the individuals used as the securities for the safety deposit boxes keys; i
- including into the report data on balance accounts of the individuals not required by the i Rule;
- inconsistency of the data on the number of depositors guaranteed by the Fund.

To exercise its main objective, the DGF resolve insolvent banks i.a. through the provisional administration and liquidation of banks, transfer assets and liabilities of an insolvent bank, sell an insolvent bank, or establish and sell a bridge bank. The DGF and National Bank of Ukraine shall collaborate to ensure the stability of the banking system of Ukraine and protect the interests of depositors and other creditors of banks. To that end, the DGF and National Bank of Ukraine shall conclude a cooperation agreement, which shall envisage a framework for cooperation between these institutions in the process of regulating and supervising activities of banks, application of enforcement measures to them, bank inspections, taking measures to resolve insolvent banks.

In Ukraine the Law project "About Fund of guaranteeing of deposits of members of credit unions" is worked out, which sets the conceptual approach near functioning of deposit guarantee fund and system of guaranteeing of deposits in Ukraine [8]. It is suggested to create Fund of guaranteeing of deposits of members of credit unions in the legal form as the specialized public institution. The Fund has such plenary powers: the accumulation of contributions of credit unions – members to the deposit guarantee system; it placing and receipt from the credit unions of necessary information about deposits for function realization.

The foreign experience on questions protecting of deposit investments from possible bankruptcies of financial mediators is based on the formalized and unformalized approaches. The first is using of current legislation of the state, including possibility of introduction of compensations sum limitation, introduction of guarantees from the side of the state in returning of complete sum of deposits, the priority right of deposits proprietors in relation to other persons in the case of liquidation of bank. The unformalized approach is grounding on the guarantees of the

mediated action, including creation of non-state funds of guaranteeing. The insurance of deposits is using the guarantees of the state, state corporate insurance, mixed system of insurance, private and voluntarily systems of insurance [9, c.7].

The conclusions are from the noted problems and prospect of further researches in the given direction. The making of such conclusions and recommendations became the result of the conducted research.

1. The contributions to deposit guarantee fund are the specific tax of bank institutions, as have obligatory character of contribution; directed at off-budget fund having a special purpose use; the financial approvals are foreseen for violation of their calculation and enumeration.

2. The basic direction of reformation of contributions to DGF is their differentiation depending on the risks of activity of banks, the quality of their assets. The regular contributions to DGF it is suggested to tie not only to the volume of deposits but also with the sum of the formed reserve after credit and securities operations.

3. The guarantee system it is expedient to spread on deposits of physical persons in credit unions, and in the future - on the deposits of legal entities. The state, reducing the risks of depositors, promotes firmness of the financial system and creates terms for activation of credit activity of banks and credit unions.

The prospects of further researches in this direction are development of methodical recommendations in relation to differentiation of contribution to DGF.

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