

Basic principles of deposit guarantee fund operation in the banking security system

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The main criterion for effectiveness and safety of the bank is its financial stability and economic development in accordance with the plans and objectives regardless of the situation changes. Deposit Guarantee is an extremely important function of each state, as in recent years has increased a part of the population's distrust of banks because of failure to return deposits. In Ukraine, the population savings' protection function is performed by the Deposit Guarantee Fund (DGF).

The main task of the DGF is to ensure the functioning of the Deposit Guarantee and withdrawal of insolvent banks from the market. An important tool in strengthening the confidence of depositors in the banking system is a guaranteed amount of compensation. Realizing this, DGF increased in 11 times its size from 500 to 200 000 UAH. Said guaranteed amount exceeds the original (500 UAH) in 400 times, and protects the interests of 98.7% investors.

As of 01.01.2016, 67 banks were in managing the Fund's, including 3 banks at the stage of the interim administration, and 64 banks at the stage of liquidation, including 26 banks in liquidation procedure that was started during 2015 and, respectively, in

38 banks – during the previous years. In general, in 2015 the National Bank of Ukraine classified as insolvent 33 banks, including in 29 banks the Fund have entered the temporary administration and in 4 banks the liquidation has started at once. In 2015 the Fund has paid compensations to the depositors of banks that were liquidated in previous years and for 2015 total amount that was paid by the Fund during 2015 amounted to 22.7 billion UAH, the total amount of payments to the depositors of insolvent banks at the expense of targeted loan of the Fund in 2015 amounted to 26.6 billion UAH.

In order to increase public awareness about the system of the Deposit Guarantee Fund it should in future years to continue to implement a number of educational companies. The mission of the Guarantee Fund is to increase confidence in the banking system and prevent the spread of the crisis that could destabilize the economy as a whole; protect the interests of depositors and bank shareholders; provide equal guarantees to all clients; minimize loss of bank deposits, which in turn stimulates the population's savings in banks because it allows citizens to assure the security of their deposits and the bank contributes to safety.