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DEVELOPMENT OF AN INSURANCE PROTECTION SYSTEM DEPOSIT HOLDERS

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Abstract: *The article discusses the forms and methods of developing insurance systems for deposit holders, analyzes, based on scientific articles, the experience of foreign countries within the framework of the deposit insurance system in order to ensure the confidence of depositors and promote savings of the population. It is noted that there are instructive forms and methods for introducing a deposit insurance system within the framework of the achieved effective experience of developed countries.*

Keywords: *SDS, deposit, supervision, insurance efficiency, moral hazard, form, method, obligation, mixed, private insurance system.*

INTRODUCTION:

It is correct to consider the population's contribution not only as a means of providing income to the depositor and the bank that placed these attracted funds, the financial market is also a powerful mechanism for influencing the investment nature of economic development. The volume of investment directly depends on many external and internal factors. However, the main characteristics are cost-effectiveness and reliability. The reliability of investments is ensured by various methods, the main of which are related to the functioning of the deposit insurance system. Created at the beginning of the 21st century, it had a serious impact on economic life. But in the current situation, the need to reform it is obvious .

Literature review. Scientists identify different variations of deposit insurance systems. Thus , A. IN. Turbanov proposes to distinguish the following types of organization of deposit protection systems:

- limitation of formalized coverage;
- unofficial guarantee (hidden system);
- preference of deposit holders over other claims in the liquidation of an insolvent bank instead of a deposit guarantee. Offers a classification of deposit insurance systems otherwise A.V. Turbanov :

- systems of expressed or unexpressed guarantees;
- systems of mandatory or voluntary participation of banks;
- public, private or mixed systems [1].

Martin, Purie , and Ufer found that uninsured depositors flee banks after bad news, and that guaranteeing deposits reduces their outflow, providing the liquidity the bank needs [2]. Jensen , Johannes and Sheridan showed that a reform of the Danish banking system that limited insurance coverage caused deposits to decline by 50% above the insurance limit [3]. DeLong and Sanders found that depositors were less likely to withdraw their deposits from weaker banks after the introduction of fixed-sum federal deposit insurance in the United States [4]. A. Angkinan , having studied data on 47 crises in 35 countries in 1970–2003, found that the costs of overcoming banking crises were lower for countries with a high level of development of the deposit insurance system [5].

Research methodology. When writing the article, methods of analysis and synthesis, complex and comparative analysis were used.

Analysis and results (main part) . Developing a system for protecting deposit holders is important. Some industrialized countries have *informal protection* . Such protection means that depositors expect a certain degree of protection of their deposits from the state in the event of bank insolvency. Such protection is not formalized in the prescribed manner; the types of bank obligations subject to protection, the level of such protection and the form of satisfaction of claims in the event of bank liquidation, in particular, bank bankruptcy, are not determined. In such cases, financing depends on the financial capabilities of the state. Deposit insurance systems based on legislative acts are *formalized* .

The deposit insurance system (DIS) includes a complex to protect bank deposits from loss by the owner (individual or legal entity) in the event of bank insolvency.

Protection of bank deposits in industrialized countries is well established and is attractive to depositors. Therefore, studying their experience is important for the domestic deposit insurance system. Deposit insurance in the United States began in 1934, that is, after the creation of the Federal Bank Deposit Insurance Corporation in the United States to protect small investors. A deposit insurance system exists in one form or another in many countries with market economies, and many countries made the decision to create a deposit insurance system in the periods following banking system crises.

The deposit insurance system was designed to help mobilize the population's savings by increasing confidence in the banking system, create guarantees of safety and return of deposits for all depositors, ensure the stability of the banking system - prevent panic and mass withdrawal of deposits from banks.

The use of insurance can be successful if the banks are stable. A deposit insurance system can contribute to the stability of the financial system if it is accompanied by regulatory mechanisms and supervision, and compliance with current legislation. To enjoy the trust of customers, mechanisms have been developed to stimulate customer interest.

If the listed requirements are not met, the SDS will not be able to withstand banking external and internal factors that could lead to a weakening of their activities. A similar phenomenon occurred in the 90s in Sweden, Mexico, Chile and Norway, as well as in countries with insufficient banking supervision.

The deposit insurance system can cope with a small number of simultaneous bank failures, but it is not an easing factor in the banking crisis. The decrease in the efficiency of deposit insurance is associated with the so-called dynamic moral hazard problem, which consists in the fact that the introduction of DDS makes the behavior of both banks and depositors less responsible . In such situations, deposit owners are interested in monitoring information about the bank. At the same time, funds raised for deposits may end up at the disposal of unstable banks and be invested in high-risk operations.

The experience of industrialized countries shows that the problem of moral hazard contributed significantly to the emergence of banking turmoil. This often happened during crises in countries where, due to underdeveloped legislation, it was difficult to use banking supervision to mitigate or eliminate risks. This has led to increased use of the deposit insurance system (DIS).

There are forms of compulsory and voluntary insurance systems that create the necessary conditions for the participation of commercial banks in VIT. In industrialized countries, for example, the first is used in the USA, Canada, Great Britain, the Netherlands, Japan, Austria, Belgium, where the legislation provides for the conditions for insurance. A mechanism for determining the amount of insurance premiums and insurance payments has been established for subjects and objects.

The second form exists in France, Germany, and Italy. Moreover, each bank independently decides on its participation or non-participation in insurance. But at the same time, it is beneficial for them to have insurance coverage. It is its presence that creates the conditions for issuing a license for the bank to carry out certain operations, membership in a banking association, etc., and the bank's non-participation in this system may negatively affect its competitiveness. Therefore, all banks in these countries are interested in joining and actively participating in this system.

By form of ownership, deposit insurance is state-owned (for example , in the USA, Great Britain, Greece). However, other types of insurance services are provided by private companies.

In Japan, a mixed form of ownership has existed since 1971. This form is formed in equal shares by the government, the Bank of Japan and private banks.

In Germany, France, and Luxembourg, deposit insurance is carried out by private organizations created within the framework of banking associations. However, the state does not interfere in the activities of these associations and does not provide loans to them.

It should be noted that there is a unified method for calculating the amount of insurance premiums of banks for deposit insurance. Their sizes can be either uniform according to the scale, or differentiated according to the scale of tariff rates.

In the first case, they are set on a scale common to all banks as a percentage of the amount of insured deposits (in Japan, banks annually pay an insurance premium in the amount of 0.008% of the amount of insured deposits, in Germany - 0.03%, in Canada - 0.1%) [6] .

The amount of differentiated tariff rates is determined for each bank individually depending on the indicators of its liquidity, solvency, and financial stability [2]. In the USA, the annual insurance premium is 0.23% of the average amount of all deposits for banks with an impeccable financial position, 0.31% for problem banks, 0.35% for a sharp deterioration in the financial condition of the bank and 0.5% for banks , whose credit investments are associated with increased risk.

In order to limit the scope of possible liabilities of the insurance fund and to extend insurance to a larger number of deposits, there is a maximum deposit amount. In the USA, the maximum payment amount per deposit is set at $100 thousand, in France - 400 thousand francs , in Canada the maximum payment amount per depositor is 60 thousand Canadian dollars, in Japan - 10 million yen. In Germany, this contribution is limited to 30% of the bank's own capital.

Compensation for losses is important. For example , losses within established limits are fully compensated by investors in these countries. In the UK, insurance conditions provide for reimbursement of 75% of the amount of deposits lost by the depositor, but not more than 7,500 pounds sterling. In Italy, a mixed system is used: if the deposit amount does not exceed 200 million liras, it is fully compensated; for deposits from 200 million to 1 billion liras, 90% of their amount is reimbursed, from 1 billion to 3 billion liras - 80%.

Conclusion. Deposit insurance is now a recognized and widely accepted policy to promote the stability of the banking sector . It is important that deposit insurance schemes include features that help banks internalize risk. Apart from specific design features, deposit insurance, complemented by stricter capital rules and a system within which managers have the power to take prompt corrective action, tends to function more effectively in practice. It is also important that countries cultivate an environment in which private market participants, such as large uninsured depositors, shareholders and other creditors, have the right set of incentives to monitor the banks in which they invest. In countries that lack strong institutional conditions, universal deposit insurance may end up doing more harm than good in terms of improving financial stability. In conclusion, it should be noted that there is every reason to expand the scope of the deposit insurance system, taking into account the experience of market developed countries. This will make it possible to increase the volume of household deposits with subsequent protection of deposits.

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