



Natural obligation

(beyond normative commitment)

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Key focus

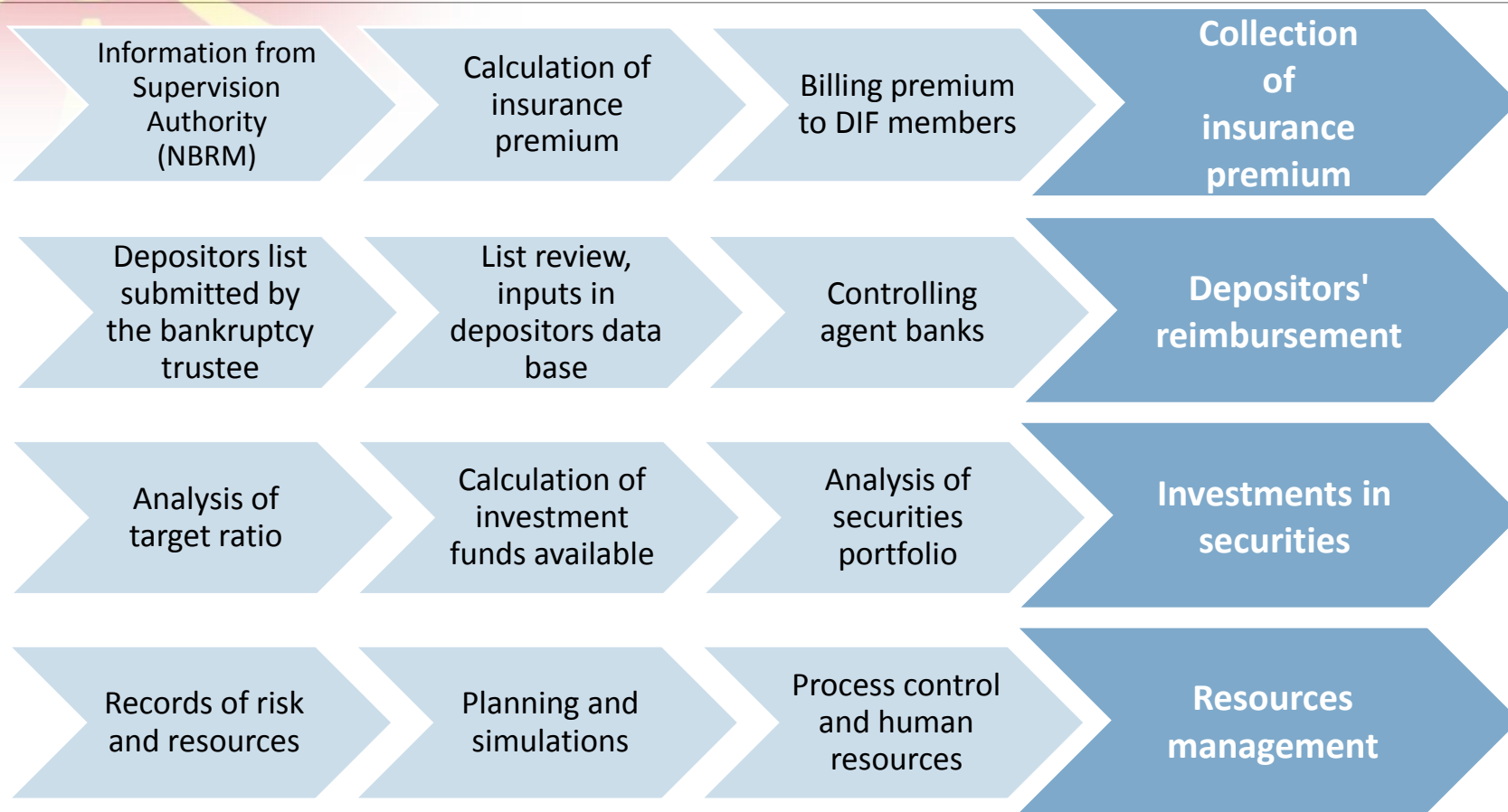
- ❖ Depositors' protection
- ❖ Boosting confidence in financial stability
- ❖ Facing and overcome complexity
- ❖ Cooperation in financial safety network



Deposit Insurance Fund(DIF) Republic of Macedonia

- ❖ Established 1997
- ❖ State owned
- ❖ Pay-box mandate
- ❖ Ex-ante model
- ❖ Unified insurance premium rate of 0.5% per annum

DIF's business processes

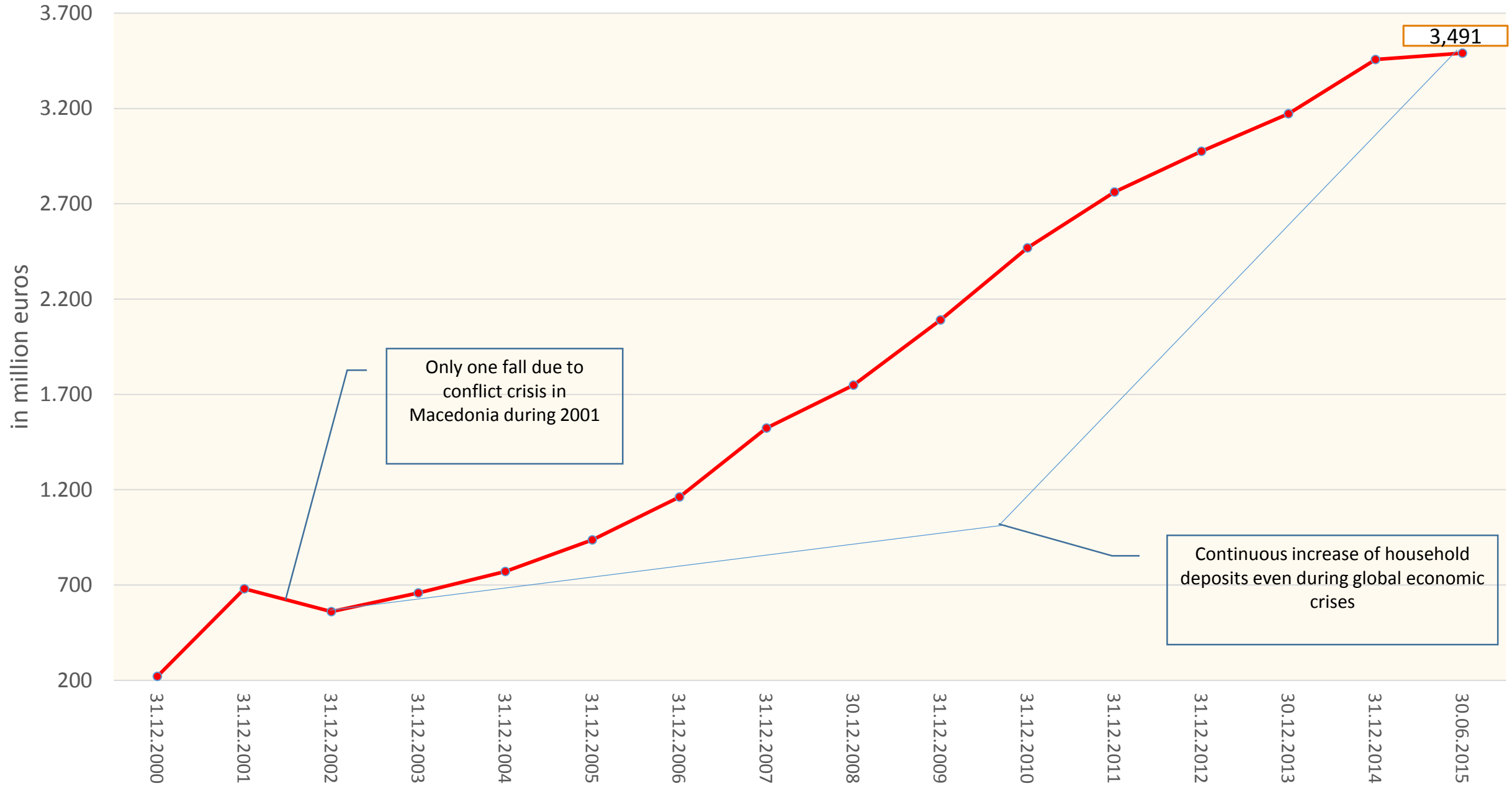


Eligible Deposits / Covered Deposits

- ❖ Lex specialis – Law on Deposit Insurance Fund
- ❖ Coverage level set to 30.000 EUR (average monthly wage set to 350 EUR)
- ❖ Target ratio defined by law – 4% of the eligible deposits =
$$\frac{\text{total DIF funds}}{\text{total household deposits}} = \frac{201 \text{ million EUR}}{3,491 \text{ million EUR}}$$
- ❖ Target ratio current value = 5,79% (June 30th, 2015)
- ❖ Covered deposits ratio = 7,21% ((June 30th, 2015)

Household deposits in Macedonia year 2000 to 2015

**Current State
of play**



Period 1990-1997; Period 1997-2001;

- ❖ Macedonian citizens experienced many bank failures in the past when their deposits were captured with no reimbursement (early 1990's)
- ❖ Banking system was perceived without trust till 1997
- ❖ The total amount of household deposits is continuously growing since the DIF has been established, except during 2001 when the war conflict happened - exceptional factor that influenced growth of deposits

Period 2001-2007; Period 2007-2015

- ❖ Before the global economic and financial crises in 2007 the growth of household deposits reached its maximum so far (31%)
- ❖ The total household deposits were constantly growing even during global economic crises



Reimbursement balance (1997 – 2015)

- ❖ 4 banks
- ❖ 7 saving houses
- ❖ Total depositors reimbursed = 19.949
- ❖ Total amount reimbursed = 22 million Euro

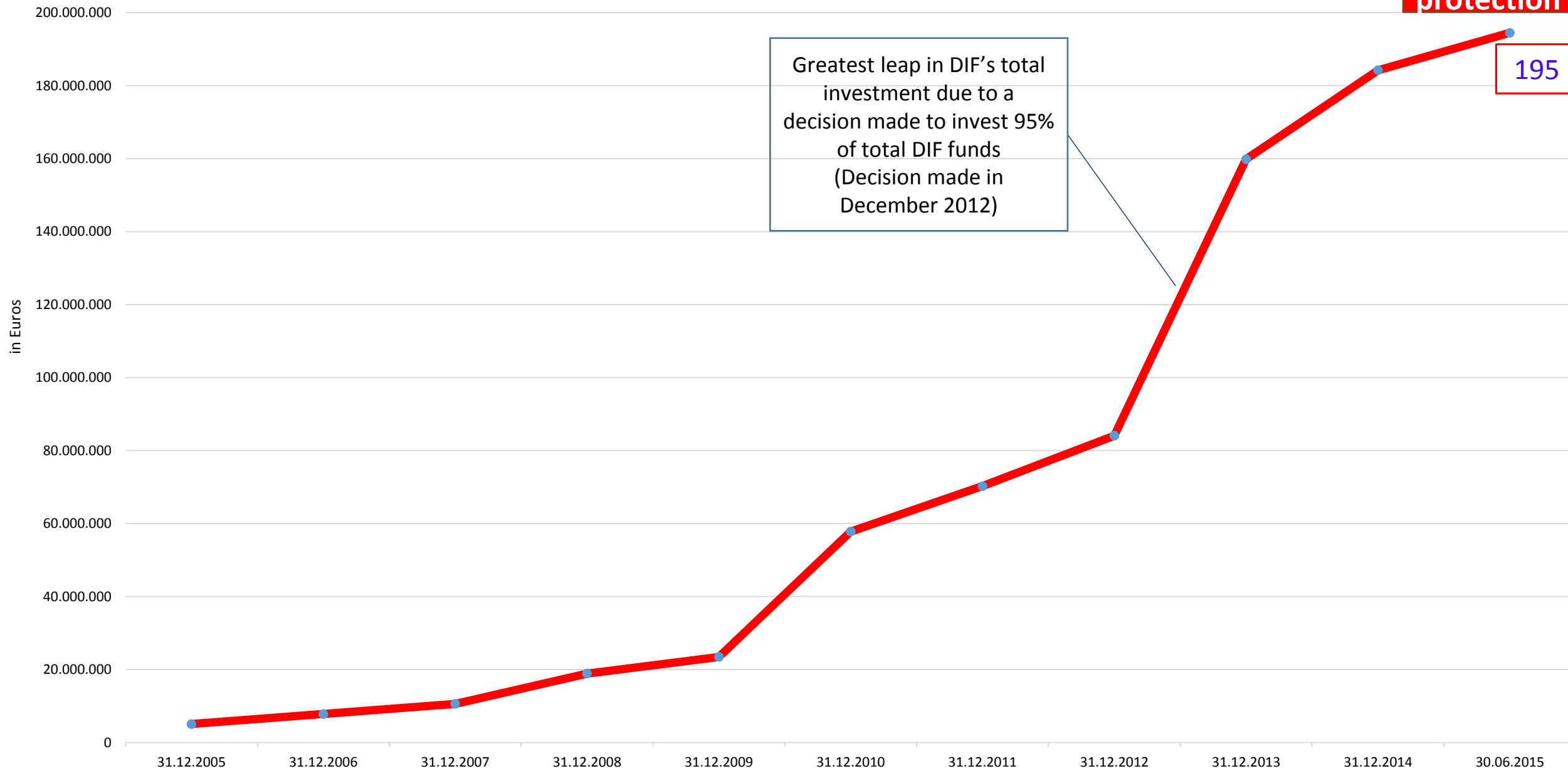
A stylized sun icon with a yellow circle and rays, set against a light blue and white gradient background.

Depositors' protection

- ❖ Repayment period 20 days
- ❖ Mandatory membership for banks and saving houses
- ❖ The only deposit insurer in the country
- ❖ Currently covers 14 banks and 3 saving houses
- ❖ Households deposits accounts are 3.049 million

Total investments of the DIF in the last decade

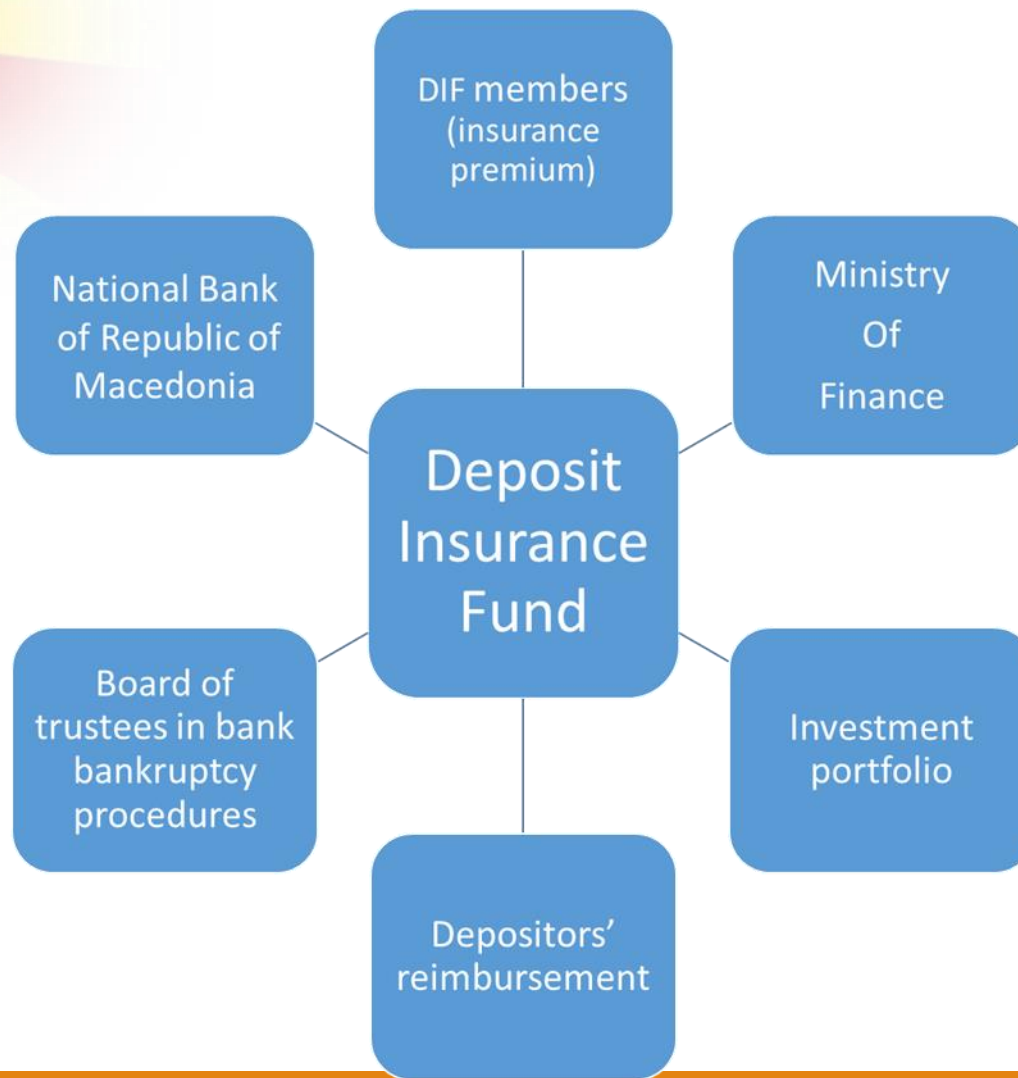
**Depositors
protection**



Boosting confidence in financial stability

- ❖ DIF invests in low-risk, short-term treasury bills
- ❖ Current reserve fund is 200 million Euro (5,79 from total household deposits),
- ❖ 10 years ago it was only 5 million Euro
- ❖ In case of a bank failure event, the liquidity of the DIF is immediate, provided by the Ministry of Finance (set by the Law on DIF)

Cooperation in financial safety network



A decorative sunburst graphic with a yellow center and rays extending outwards, positioned to the left of the title.

Natural obligation

- ❖ DIF is facing long-term bank bankruptcy procedures (some lasting more than 15 years)
- ❖ In all cases of reimbursement, nearly 90% of depositors (in average) have claimed their reimbursement amounts at the agent banks within a year after the bank failed
- ❖ Only 11,29% of depositors have not been reimbursed yet. 95% of them hold between 1,8 to 15 Euro deposit.
- ❖ Some depositors claim their reimbursement amounts long after pay-out procedure has been implemented via agent bank, all due to special cases of inheritance, years of working abroad, long-term processes spent in courts, etc.

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Natural obligation, beyond commitments

- ❖ In 2015, DIF initiated amendments to regulation (due to those cases) in order to strengthen depositors' protection and their trust in banking system
- ❖ Statute of limitation defined to 5 years under Law on obligation
- ❖ The DIF undertakes responsibility to reimburse any depositor at any time after statute of limitation is over - natural obligation
- ❖ The statute of limitation, as a legislative institute under the Roman law, defined in the Macedonian law on obligations, means that when the general statute of limitation of 5 years is over, the DIF does not cease to owe the depositor its reimbursement. The only difference here is that the depositor is not allowed to submit a claim after this period (at the courts). The DIF's obligation is transformed from legal to natural (not mandatory) obligation. It is to be effected upon a wish of the DIF
- ❖ The DIF is not in any case damaged by the natural obligation. On the contrary, it when DIF settles its debts to depositors, it complies with the Law on DIF and justifies its obligations. In this manner, the major objective for which the DIF and the depositor, under law, establish a certain obligation shall be reached.

Facing and overcome complexity

- ❖ Bank bankruptcy procedures are implemented in compliance to the general Law on Bankruptcy
- ❖ Bank resolution is covered by Law on Banks
- ❖ DIF faces inconsistencies between repayment period set by the Law on DIF and periods set in Law on Bankruptcy
- ❖ It is necessary to amend the legislation and unify the periods set by law



Cooperation in financial safety network

- ❖ DIF is dependable on external resources of information such as Bankruptcy Manager of a failed bank and the National Bank of the Republic of Macedonia
- ❖ Supervision Authorities are more than conservative to extend cooperation
- ❖ Exchange of information between commercial banks and DIF should be supported by law and other institutions such as Ministry of Finance and National Bank



Cooperation in financial safety network

- ❖ DIF should serve as one of the pillars of the financial stability platform
- ❖ Regular communication between National Bank, the Ministry of Finance and the member commercial banks should be imperative for building strong protection of depositors and firm verification that no system crisis could threaten the society
- ❖ DIF has initiated adoption of a *Rulebook on exchange of relevant information* between all counterparts participating in the financial security network in order to formalize and strengthen the role of DIF



New obligation

- ❖ Currently DIF is used as a “pay-box” only after the Governor proclaims failure of a bank,
- ❖ If certain regulation are changed it could become the most powerful tool to prevent bank failures by using the available financial means
- ❖ The relationship between DIF and Resolution Authorities should be close and at the highest possible level
- ❖ Building of Institutional capacities takes time



Thank you!

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