Agency's Bank Bankruptcy Prevention Activities

Russian Federation: Deposit Insurance Agency

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In accordance with the Federal Law No.175-FZ dated 27 October 2008 “On Additional Measures to Strengthen Banking System Stability for the Period through December 31, 2011” the Agency was vested with functions on implementation of measures aimed at prevention of bankruptcy of banks that are members of DIS.

The Bank of Russia sends to the Agency a request to participate in named activities. Such requests are considered in relation to banks, having substantial economic and social importance for the country as a whole or a separate region, focused on supporting real economy and having a considerable volume of household deposits. An important role is paid to the possibility for private investors to participate in bank bankruptcy prevention activities.

According to this law, measures aimed at prevention of bank bankruptcies can be implemented by the Agency by means of:

- providing financial assistance to persons/entities (hereinafter referred to as “investors”) which acquire shares/equity interest in a bank in amounts that allow to determine decisions on matters that are within the competence of the general meeting of its shareholders/participants;
- providing financial assistance to banks that acquire assets and liabilities of a failing bank. The acquirers can be financially strong banks for which such transaction does not cause violation by them of statutory requirements of the Bank of Russia or other negative consequences;
- acquiring shares/equity interest in a failing bank in amounts that allow to determine decisions on matters that are within the competence of the general meeting of its shareholders/participants;
- providing financial assistance to a bank provided that the Agency and/or investors acquire shares/equity interest in the bank in established amounts;
- performing functions of the provisional administration in banks with granting wide powers to the Agency, including powers to acquire bank assets and to transfer assets and liabilities of the administered bank to another bank (acquirer).

Upon financing of bankruptcy prevention measures the Agency primarily focuses on attraction of interested private investors.

In addition, government financing is prescribed by law. For this purpose 200 billion rubles were allocated to the Agency from the federal budget in the reporting year. Also the Agency was granted a right to receive loans from the Bank of Russia and use resources of the deposit insurance fund for protection of insured depositors’ interests.