



**ENACTMENT
OF THE PRESIDENT OF UKRAINE**

On Measures to Increase the Protection of Rights of Citizens Who Are Bank Depositors and Other Bank Customers and Ensuring Stability in the Banking System

In order to improve the state regulation of banks and ensure the proper protection of rights of citizens who are bank depositors, and other bank customers, I decree:

1. The Cabinet of Ministers of Ukraine shall:

1) Prepare, with the National Bank of Ukraine participating, and submit to the Verkhovna Rada of Ukraine within three months in accordance with an established procedure, draft laws on:

- Changing the procedure for banks registration;
- Increasing the sources of formation of financial resources of the Fund to Safeguard the Deposits of Individuals by using part of the revenue of the National Bank of Ukraine;
- Empowering the National Bank of Ukraine to impose a moratorium on some banking operations in case the stable operation of the banking system is threatened as a result of an intensive withdrawal of funds from accounts by customers of banks;
- Creating conditions for discovering true owners of banks;
- Streamlining external bank auditing;
- Increasing the protection of rights of creditors and ensuring the appropriate responsibility of borrowers for failure to repay loans made by banks;

2) Ensure keeping track of the following draft laws of Ukraine in the Verkhovna Rada:

- on amendments to the Law of Ukraine *On the National Bank of Ukraine* (registration # 1039);
- on amendments to some legislative acts of Ukraine on forms of establishment of banks and authorized capital size (registration # 1040);

3) Process within three months, with the National Bank of Ukraine and the Fund to Safeguard the Deposits of Individuals participating, the issues relating to:

- Adoption of higher requirements to banks regarding their involvement in the Fund to Safeguard the Deposits of Individuals (hereafter: the Fund), above all to those banks in whose operations legislation violations have been found;
- Stepwise increase of guaranteed amounts of refund of deposits of individuals at the expense of the Fund;
- Empowering the Fund to take part in procedures of interim administration and liquidation of a bank;

4) Within two months:

- a) Process the issues relating to:

- The expediency of increasing the share of the assets of non-state pension funds, investment funds and other financial institutions that can be placed in bank deposit accounts;
- Creating conditions conducive to raising the level of capitalization of banks through national investment;

b) Take measures, according to an established procedure, to prevent the simultaneous withdrawal from banks of resources of economic agents in the public sector in case a decision is made, according to an established procedure, to change an authorized bank that services the accounts of such economic agents;

5) With the National Bank of Ukraine participating:

a) Take measures, according to an established procedure:

- to prevent the formation in society of negative expectations regarding inflation rate, exchange rate and the state of the banking system;
- to promptly respond to media reports about a situation on money-and-credit and money markets which does not correspond to the actual one and can destabilize the situation on the bank services market, or have a negative impact on the interests of bank customers, or shake public trust in the banking system of Ukraine;

b) Process the issue of possible increase of cases of disclosure of bank secrecy at the written request of law-enforcement and controlling authorities.

2. Recommend the National Bank of Ukraine to take measures by the end of 2006, according to an established procedure, for:

- Improving bank supervision, including mechanisms for the early detection of problems in operations of banks through systematically reviewing their performance and using information furnished by controlling authorities;
- Streamlining the mechanism for the renewal of solvency of banks, above all through undertaking prompt measures for financial improvement;
- Raising the level of responsibility of bank directors and majority interest holders for bank performance, and streamlining the system of financial risk management;
- Adopting a system of prompt bank refinancing in emergency situations;
- Streamlining the procedure for the exchange of information on the results of bank inspections that are carried out by the National Bank of Ukraine and the Fund;
- Introducing the publication, on a monthly basis, of average and integral rates on time deposits of individuals in national and foreign currency in the mass media and on the National Bank of Ukraine site.

3. Recommend the National Bank of Ukraine, jointly with the Prosecutor General's Office, Ministry of the Interior, Security Service, State Committee of Financial Monitoring, and the State Tax Administration of Ukraine, to work out within three months a program of interaction of controlling and law-enforcement authorities for the prompt detection of transactions conducted in violation of bank sector legislation.

4. Recommend the Prosecutor General's Office, jointly with the Ministry of Economy, Ministry of the Interior, Security Service, State Committee of Financial Monitoring, the State Tax Administration of Ukraine, and the National Bank of Ukraine, to analyze within three months the practice of applying the legislation that establishes responsibility for bankrupting, concealing constant insolvency, and unlawful actions in case of bankruptcy, and, if necessary, submit appropriate proposals for its improvement.

5. The Ministry of the Interior, State Committee of Financial Monitoring, Ministry of Finance of Ukraine, and the National bank of Ukraine, for the purpose of ensuring the reliable identification of persons involved in financial operations, shall implement by February 1, 2007 a directory service on lost documents that contain information regarding a person`s identity, and provide banks with access to this system.

Viktor Yuschenko
President of Ukraine

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