

STEALING FROM SAFE DEPOSIT BOXES

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Abstract: This paper addresses the issue on the security and reliability level for storage of material values in safe deposit boxes. The banking services market is quite developed, and there is also a great demand for provision of safe deposit boxes for use. Despite the significant degree of regulation, there are a wide range of problems in the provision of these services, which are considered during this study. Having analyzed the current judicial practice in cases in which disputes related to the use of safe deposit boxes were considered, the authors developed an algorithm describing the specifics of the consideration of such cases by courts. In connection with the aggravation of the problems described in the work, the authors proposed a set of measures to address them. Within the framework of this paper, a methodology has been developed for calculating the rating of banks, depending on the quality of service delivery. Based on the results of the study, a matrix of possible ways of solutions to eliminate these problems depending on the costs of their implementation and the time for realization was constructed. It is assumed that the recommended methods will help prevent such situations and reduce the negative effect of negative consequences.

Keywords: Bank, market of banking services, safe deposit boxes, safety deposit boxes, safety deposit box leasing, deposits of valuables in a bank, value deposit agreement, bank vault.

1 Introduction

Nowadays one of the main issues in the banking system is the reliability and safety of the deposit boxes. Security—ten layers, including video surveillance, 24-hour guard, and biometric access. Disaster protection—the world's finest seismic architecture & fireproofing, backed by comprehensive insurance. Climate control—cutting edge and constantly monitored. Privacy—devoting one room to each client (Abdelal et al, 2006). The existing regulatory framework for safekeeping in safe deposit boxes consists of provisions of the Civil Code. In addition, On Banks and Banking Activities, one of the services rendered by credit organizations is leasing to individuals and legal entities special premises or safes in them for safekeeping of documents and depositing valuables (Abdelal et al, 2006). The Civil Code of the Russian Federation provides for two options for depositing valuables in an individual safe deposit box: a contract for the provision of depositing services with the use of an individual safe deposit box by a client (Section 2, Art. 922 of the Civil Code) and the rent of a banking safety deposit box or storage with the provision of an individual safe deposit box to a client (clause 3, Art. 922 the Civil Code) (Sakaev, 2016). The first type of contract implies a safe option for the client, as the Bank takes valuables from the client according to a list, controls the process of placing and withdrawing them from the safe, and is responsible for the loss of valuables. At the same time, the second type of contract implies that the Bank only provides the customer with a safety deposit box, and the Bank's liability comes only in the event of physical damage to the banking safety deposit box, which is understood as a violation of the terms of the contract with regard to the safe and inviolable nature of the safe box. Specifically, the requirements of security for such services are laid down in the provisions of the Law "On Protection of Consumer Rights" (Tuan, 2017). The main problems considered in this paper are the conditions of the second type of contract.

2 Experience Obtained From Practice

To date, the main agreements that a Bank enters into with customers when providing them with an individual banking safety deposit box are a contract on depositing valuables in a banking safety deposit box and a rent contract for a banking safety deposit box. When concluding the first type of contract, a list of the valuables transferred to the bank for depositing is compiled. And under this agreement, the bank bears all responsibility for the contents of the individual banking safety deposit box, since here the service is the depositing of valuables, and the safety deposit box is only a storage facility. The second type of contract is when the bank provides services for the provision of an individual banking safety deposit box for use. There is no list of valuables for safekeeping; the confidentiality of the contents of the safe box is respected and therefore the bank does not bear any responsibility for it. In this regard, the first type of contracts is unpopular among banks; they prefer to conclude contracts of the second type. Having analyzed the legislation which is related to the situation in question, we saw that the main focus of safe deposit boxes was given to the Civil Code of the Russian Federation. However, it focuses more on the contract for depositing valuables. But in the Civil Code of the Russian Federation there is no an article regulating exactly the rules on which a rent contract for safe deposit boxes should be drawn up and be in effect. It is said in the Civil Code that in the event of the conclusion of such an agreement, the rules of the chapter governing the rental of property shall apply to it. But this chapter does not deal with safe deposit boxes.

To date, banks provide a wide range of services and banking products. One of the traditional banking services provided to individuals is the rent of a banking safety deposit box, which is used to deposit various items. Most often, valuables are deposited in the safe deposit boxes, as well as they are used in transactions for the purchase and sale of expensive property.

Safe deposit boxes are a very interesting bank product. For many, this product is regarded as a guarantor of reliability and security, while others see it as an opportunity to hide a part of income and acquired valuables from interested persons. The relevance of studying this topic is that in today's realities there is a controversial judicial practice regarding the definition of the legal nature of these relations. Often, bank customers do not understand what obligations the bank takes on in these relations. Almost all the largest banks of Russia offer leasing of safe deposit boxes. Banks offer different types of safes and tariffs for them, depending on the size and characteristics of the safes (Table.1).

In this regard, there is confusion in determining the type of contracts and their ambiguous interpretation. And so in practice there is a huge amount of disputes between Banks and their clients. As practice shows, the Bank's clients mistakenly believe that by placing their valuables in an individual banking safety deposit box, they are guaranteed security in any case, regardless of the type of contract concluded. In this regard, to date, unfortunately, the practice of litigation in such cases is sufficiently developed and extensive, which indicates the urgent problems of this type of banking services. After analyzing the array of judicial practice relating to this problem, we identified certain features that take into account such cases, and developed a special algorithm presented in Fig 1.

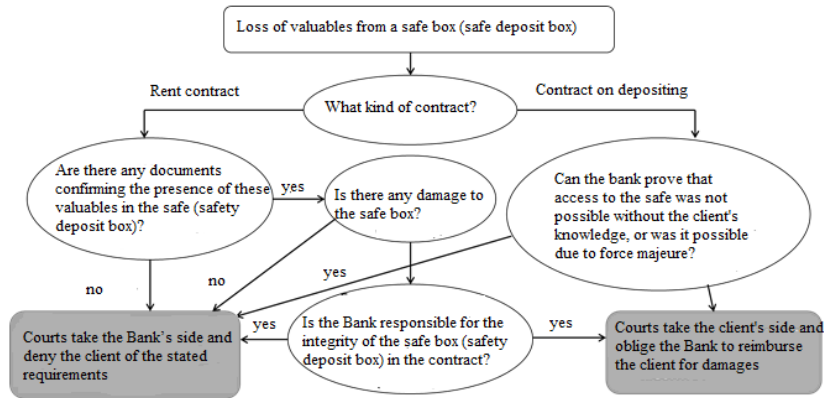


Fig 1. Specificity of consideration by courts of the disputes connected with a stealing from an individual safe deposit box.

Table 1. Comparison of rental prices for safes up to 50 cm high and 35 cm wide (2017)

Name of the bank	Rent period of a safe / price in rubles per month			
	up to a month	2 months	3 months	year
Sberbank	and more 1 620	2 760 and more	3,870 and more	9 855 and more
VTB 24	1 240 and more	2,509 and more	3 690 and more	8,985 and more
Raiffeisen	2 399	4099	6,099	13 099
Alfa Bank	2 450 and more	4 900 and more	7 350 and more	29 400 and more
Otkrytie	Tariff information is provided in the course of individual consultations			
Gazprombank	2550	2,200 and more	2 600 and more	8 900 and more

Source: compiled by authors on the basis of data from official websites of the banks (Vasiliev, 2008; Kloss, 2012; Giddens, 1991; Taylor, 1994; Villalobos Antúnez, 2016; Burke & Stryker, 2000)

Table 2. Number of branches of banks providing services for leasing banking units

City	Sberbank	VTB	AK BARS Bank
Moscow	27th	59	1
St. Petersburg	9	22	2
Nizhny Novgorod	8	3	3
Kazan	4	4	1

Source: compiled by authors on the basis of data from official websites of banks (Vasiliev, 2008; Kloss, 2012; Burke & Stets, 2000)

Thus, in the event of the loss of client's valuables from an individual banking safety deposit box, the first question arises: what contract was concluded between him/her and the bank: the rent of a safe box or depositing client's valuables? Everything is simple if the second type of contract is concluded: taking into account the provisions of the Civil Code that regulate this type of contract, the Bank is responsible for the contents of the safe, which was described. And if it cannot prove that without the knowledge of the client, the seizure of valuables from the individual banking safety deposit box is impossible, or that it happened because of force majeure - in this case the courts call on the Bank to respond to its obligations to the client and compensate him for the damage.

Another thing, if it was concluded exactly on the rent of an individual banking safety deposit box. Then the client can win in court if three important conditions are observed:

1. The contract prescribes the bank's obligation to monitor the access to the premises where the safe box is provided to the client, as well as the bank's responsibility for the safety, integrity and serviceability of the safe box;
2. The safe was damaged (opened, broken, etc.);
3. The client has documents or other evidence confirming that the client had these values and put them in the safe box.

3 Role Of Financial Institutions

Speaking about safe deposit boxes, let's note that they are currently one of the most reliable options for depositing material values offered by the banking sector. Accordingly, the demand for this type of banking services will always be especially high during the crisis periods and summer holidays of citizens. Consider the interests of stakeholders in Fig 2.

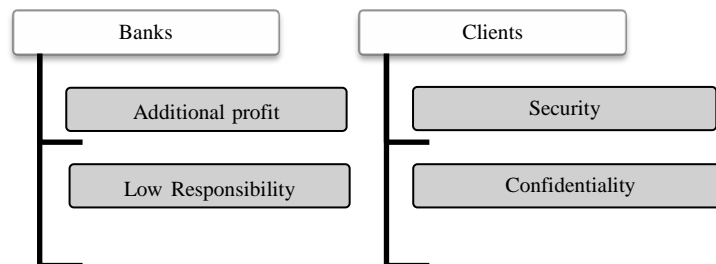


Fig 2. Stakeholder interests when providing an individual banking safety deposit box in rent.

Based on the interests of the parties, it can be concluded that each pursues its own benefits. And it is not always possible to find the optimal solution that will take into account the desire of both the bank and the client. At the same time, it is necessary to determine the relationship of other interested parties to the adoption of a set of measures to address the problems associated with the market of safety deposit boxes. For example, insurance organizations can be of great help in taking measures to eliminate existing problems. There is a remarkable experience of foreign countries on this issue: for example, in France, the cost of rent depends on the terms of insurance of the client's values, placed in the individual banking safety deposit box. And in Spain, a client can insure his/her valuables placed in an individual banking safety deposit box from various types of risk: from fire, theft, etc.

At present, in Russia comprehensive insurance contracts are concluded between banks and insurance organizations, which also provide for the insurance of depositories where the individual banking safety deposit boxes are located. However, the insurance of individual valuables of the clients themselves is not provided.

So, we offer the following ways of solving this problem and improving the system of using and protecting cells from the side of a bank:

- the division of depositories - in this case, the client will have a full idea of his/her voluntary choice: 1) either incognito - lower cost and security, but complete confidentiality, thereby all the risks for the property are borne by the client, 2) or safely: the cost of maintenance and security is much higher, what is compensated by the bank's responsibility for the contents of the safety deposit boxes;
- insurance of safekept valuables in safety deposit boxes is the least possible option, since the insurance market, as a rule, focuses on large volumes of demand, and this type of services is the least popular among customers, and the banks themselves have a negative attitude - too high demands from insurance companies;
- the use of information technologies - a complete security system aimed at minimizing the risk of unauthorized persons accessing the contents of the safe box - electronic key, access system to the premises, introduction of blockchain technology for locking, biometric data: fingerprint, retinal scan;
- Creation of a separate structure in the banking system, which will specialize only in this area - an integrated well-established system and control over a certain range of banking safety deposit box services.

4 Effect from the state

In recent years, the state is actively fighting for issues concerning money laundering, or means obtained illegally. At the same time, one of the first laws governing a bank in obtaining cash (both in cash and non-cash way) is the federal law "Concerning the Counteraction of the Legitimization of the Proceeds of Crime and

the Financing of Terrorism" N₂ 115 -F3 dated 07.08.2011 (Sakaev, 2016). However, with respect to safe deposit boxes, the duality of this law is observed, since the attractiveness of safety deposit boxes for clients is precisely that banks are not interested at all in sources of receiving money or valuables placed in a safety deposit box.

In this case, it is worth considering the possibility of introducing not only restrictions on concluding a rent contract for safe deposit boxes without a list of valuables, but without documents confirming the sources of receipt of funds. After all, this in the course of transactions with safe deposit boxes that will help to minimize stealing from safe deposit boxes, in addition, it will reduce the number of places possible to conceal the proceeds of crime.

As for the safekeeping of jewelry, it is possible to use chipping to account for jewelry. The Ministry of Finance is already going to introduce chips into jewelry. However, the main objective of their implementation is to protect a consumer in terms of the quality of products purchased in jewelry networks and to obtain a market in which all participants pay taxes. Such experience obtained voluntarily in April, 2016 with fur products, led to the fact that since December of the same year, electronic labels have been required to put by all manufacturers.

However, speaking of jewelry, these chips can be further improved by introducing information about their acquirer in them. The given information would be confidential; the rights to jewelry would be made out in special bodies on the basis of checks with original seals of shops and transferred (secondary resale) by the contract of sale. This method, first, would protect the owners of jewelry from theft, since jewelry in the literal sense would be personal and resell them would not be possible. Secondly, it would give the state some control over the secondary market for the sale of jewelry, which is completely absent at the moment.

Also, we see additional measures to prevent safe deposit boxes from theft:

1. The prospect of introducing special permits from executive authorities to banks that provides such services, with a view to checking the security of safe deposit boxes, ensuring the safety of the values of customers in an individual banking safety deposit box.
2. Implementation of minimum requirements for ensuring the protection of safety deposit boxes at the legislative level, as well as security monitoring systems by law enforcement agencies, or established commissions.

5 Method For Calculation Of The Banking Rating As To The Quality Of Rendering Services On Provision Of The Individual Banking Safety Deposit Box

The methodology developed by us contains in its structure 4 blocks, which consist of both quantitative and qualitative indicators presented in Table 3.

Table 3. Structure of the indicators of the methodology for calculation of the banking rating as to the quality of rendering services on provision of the individual banking safety deposit box

Blocks	Indicators	Unit weight
"Security"	Number of depositories	0.35
	Number of cameras in the depository	
	Number of safety deposit boxes in the depository	
	Number of employees with access to safe boxes	
"Cost indicators"	Rent price	0.2
	Additional maintenance costs	
	Bank's costs of protection (billion)	
	Penalties for the client	
	Loyalty program	
"Image of the Bank"	Rating from international agencies (Moody's, Forbes, Fitch)	0.2
	Rating by assets	
"Qualitative indicators"	Customer Testimonials	0.2
	Number of clients "returned to the Bank"	

Three banks were selected as the objects of analysis: Sberbank, VTB, Ak Bars Bank. After collecting the statistical data, all the values obtained were indexed within the block relative to the maximum and minimum (in the case when the indicator was negative) by the formulas 1 and 2, respectively:

$$I_p = \frac{xi - x_{min}}{x_{max} - x_{min}} \quad (1)$$

$$I_p = \frac{x_{max} - xi}{x_{max} - x_{min}} \quad (2)$$

Further, using the product of the arithmetic average to the weight assigned to the block, block indices for each Bank were found (3).

$$I_B = \frac{\sum_i^n I_p \times m}{n} \quad (3)$$

The final rating was found by the sum of the block indices according to the formula (4).

$$R = \frac{\sum_i^n I_B}{n} \quad (4)$$

Thus, after the production of all necessary calculations, we obtained the following results, shown in Fig. 3.

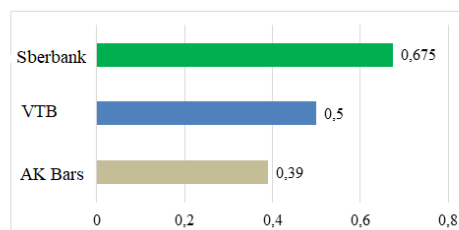


Fig 3. Final ratings of banks on the quality of rendering services for the provision of an individual banking safety deposit box, calculated by the author's method.

As we see, after the analysis and calculation of the rating of banks by the author's method, the most reliable for this kind of services is PJSC Sberbank with a rating of 0.675. The second place is occupied by Bank VTB (PJSC) which rating was 0.5. And PJSC "AK BARS" BANK is in the last position - 0.39 points.

6 Summary

Based on the foregoing, it can be concluded that these services are characterized by a lack of legislative regulation, what leads to numerous disputes between banks and their clients. In addition, there are a number of other problems that need to be addressed by banks in conjunction with the state, as well as other financial institutions.

7 Conclusion

In fact, storage in safe deposit boxes is a trustworthy institution of banking services. Losses from safe deposit boxes are rare and the Banks are constantly upgrading depositing conditions there.

At the same time, if the loss occurs from the banking safety deposit box, the Bank is only liable for violations of the safe conditions and the integrity of the safe. The client is burdened with the obligation to prove the facts of the actual location of valuables in the bank safe.

The difficulty of determining the legal nature of these relations with respect to what these contracts are: a contract on depositing or rent is the basis of the problem under consideration. The following conclusions were made within the framework of solving the problem:

- the difference in depositing contracts in the safe deposit boxes provided for by law leads to problems that are considered in the judicial practice of resolving such disputes;
- Depositing of monetary funds under the contracts on depositing in safe deposit boxes is economically unjustified and may evidence about their illegal sources; in general, there are alternative bank proposals for safekeeping cash;

- Financial institutions may also contribute to the development of this service, drawing attention to the foreign experience of insurance of valuables placed in bank safes;
- The state needs to maintain uniform standards applied to banks on the issue of safety deposit boxes, as well as restrictions on the valuables placed therein, the obligation imposed onto a bank to record the values in the safety deposit box, as well as the sources of their receipt; chipping values will help in reducing thefts, in general, and from the banking safety deposit box, in particular;
- Introduction of special permits from executive authorities to banks that provide such services in order to check the security system for the storage of safe deposit boxes, as well as the introduction of minimum requirements for ensuring the protection of safety deposit boxes at the legislative level;
- An increase in the number of financially literate population will significantly help to reduce such a problem and preserve and increase their capital, and hence the country's capital as a whole.

Thus, there are a number of mechanisms that can protect banks, their clients and the state from the occurrence of such situations.

8 Acknowledgements

The work is carried out according to the Russian Government Program of Competitive Growth of Kazan Federal University.

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