

FinSAC White Paper on Bank Recovery and Resolution in Ukraine - Key issues for reform

DGF
10, October 2018

Objectives

The World Bank/FinSAC reviewed the recovery and resolution framework in Ukraine in cooperation with DGF and NBU experts (Working Group) with a view to

- Strengthening the resolution framework in line with international practice
- Identifying steps towards convergence with relevant EU legislation (BRRD) and conditions for alignment
- Ensuring seamless cooperation between supervisory and resolution authorities
- Improving the resolvability of systemically important banks, in particular improving recovery rates, reduce demand on public funds for bank resolution



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Key issues for reform

Early intervention powers

- consider additional tools to prevent asset erosion (temporary administration)

Resolution triggering

- consider move towards single-stage resolution trigger (BRRD) with clear obligatory triggers at a point in time when the bank not yet balance sheet insolvent

(ex-ante) Recovery and resolution planning

- Strengthen banks' own crisis management and increased preparedness of authorities
- Preserve critical economic functions, remove impediments to resolvability



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Key issues for reform (ctd.)

Strengthen resolution tools and objectives

- Open bank bail-in to ensure (phasing in); Keep P&A for small banks
- Broaden resolution objectives to include financial stability considerations and ensure liquidation as a default scenario regardless of least cost

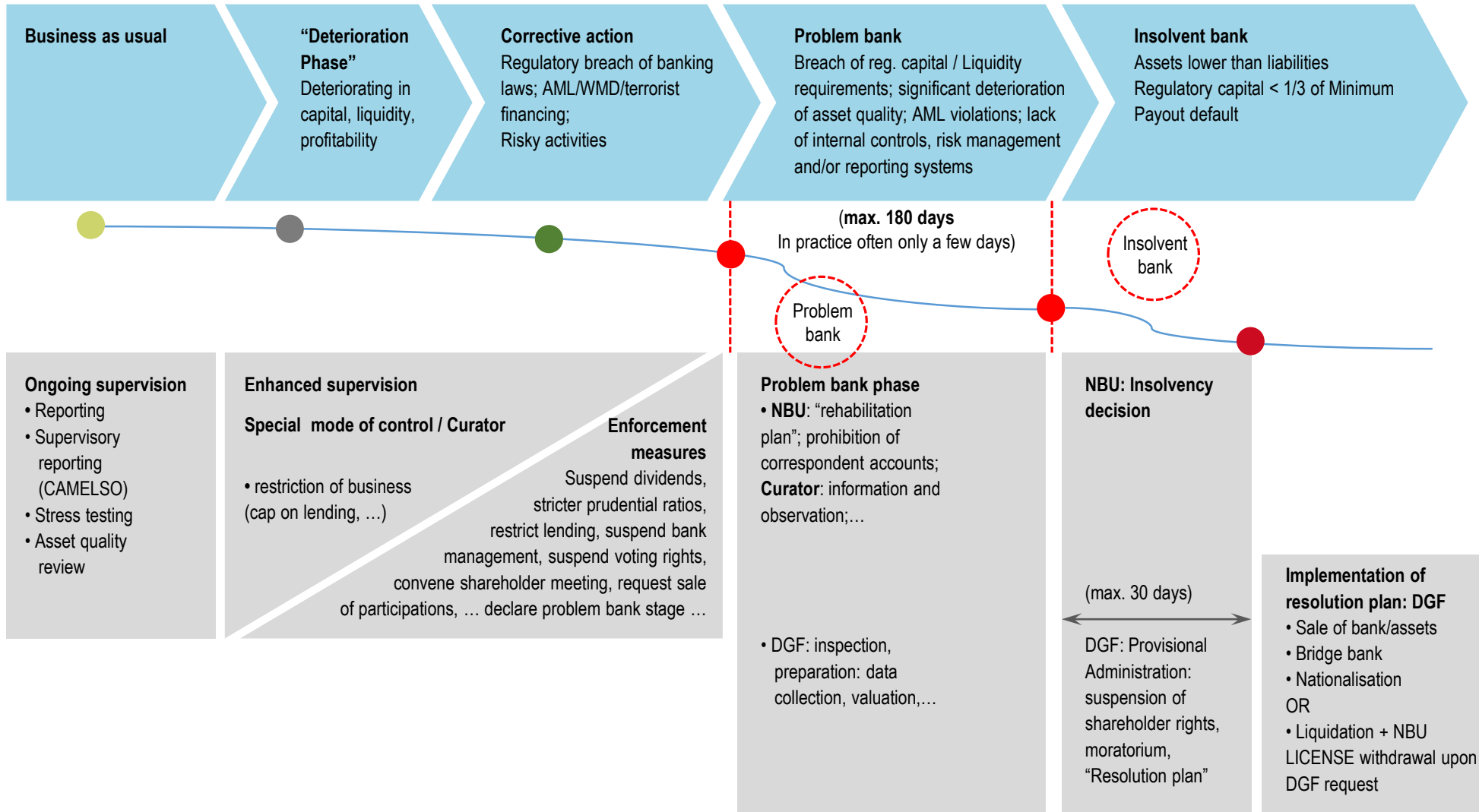
Additional Resolution funding [in the mid- long term]

- Provide for Internal loss-absorption and recapitalisation capacity (MREL) with the objective that costs of bank resolutions are borne by private stakeholders, instead of the public also for the biggest banks
- Dedicated resolution fund financed by industry contributions as a backstop

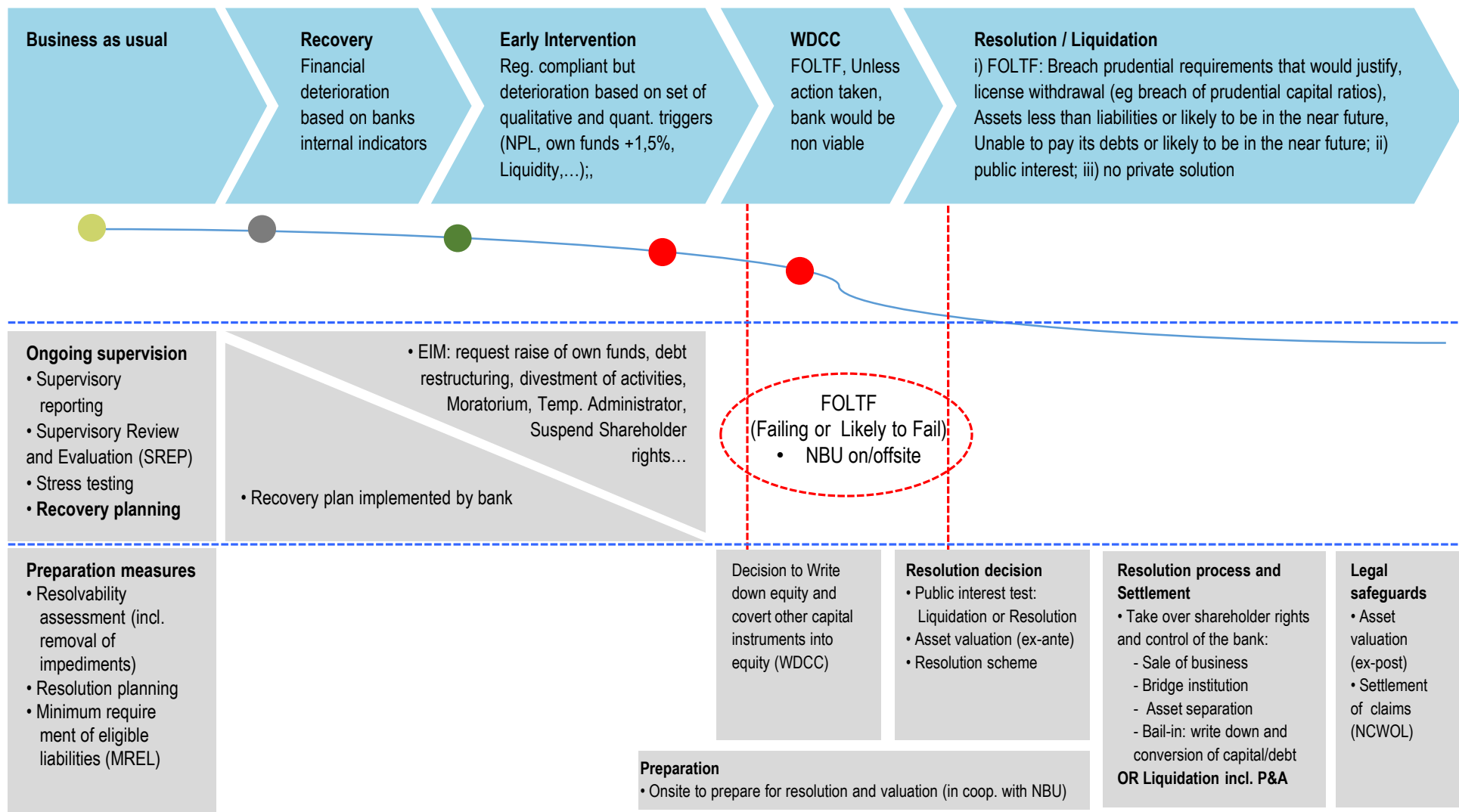
Increased Interinstitutional cooperation

- Regular information on systemic questions related to resolution (e.g. general progress of recovery and resolution planning, MREL sufficiency and system wide resolution funding needs, public interest)

Resolution Framework in Ukraine: status Quo



Possible revised future resolution framework for Ukraine





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Thank you!

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