

Bank Recovery and Resolution

Abstract and keywords

This diploma thesis systematically presents the European regulatory framework of recovery procedures and resolution of credit institutions and investment firms (BRRD), in the form of a directive, implemented into the Czech law in Act No. 374/2015 Coll., on recovery procedures and resolution on the financial markets. At the same time, the first major amendment to this directive, the so-called BRRD2, is incorporated into this thesis, which mainly implements the international standard of FSB for the specification of the total loss absorbing capacity into the EU law.

The work is divided into 5 parts. The first part monitors the background of the BRRD, discusses the causes of the Global Financial Crisis, and what we deduce from them, and then discusses the global regulatory response to this crisis. The second chapter places the BRRD in a broader context within the Banking Union and presents its structure. The Banking Union is built on a single set of rules and is divided into two (in the future three) pillars. These are a single supervisory mechanism and a single resolution mechanism.

The third part is where the introduction of the legislation itself begins; it starts with providing the information for the general requirements of the procedures under this regulatory framework. The scope, objectives and principles of these procedures are addressed, then the resolution regime is distinguished from ordinary insolvency proceedings, the bodies playing various roles under this legislation are introduced, and finally explains what powers belong to these bodies.

Parts four and five deal with two interdependent phases of the life of a failing institution. The phases are - the preventive phase, where the conditions for the resolution of a failing institution are being prepared, and the corrective phase, which occurs when the institution fails.

The work comprehensively assesses the reasons for the emergence of BRRD, as well as its benefits and procedures. It systematically explains the use of individual steps and obligations, both by the institutions themselves and by public authorities.

Keywords: resolution, recovery, failure of a credit institution