

Bank Liquidation and Insolvency with Focus on the Sberbank Case

Abstract

The topic of this thesis is bank failure and its resolution, particularly the form of resolution which brings the operation of a bank to an end, i.e., the liquidation form of resolution. This resolution type will be discussed in detail using the Sberbank Case. First, the paper explains key institutes and concepts such as a bank, or the financial system and its stability. Then, the paper discusses the legal framework of bank failure and two existing forms of its resolution. As explained, the basis of the liquidation form of resolution consists in the process of the bank licence removal, which is followed by liquidation of the bank in question, or by insolvency proceedings (it is often the case that during the liquidation phase, the bank is found insolvent, and the process carries on in insolvency proceedings). The thesis explains that the liquidation form of resolution, according to both Czech law and the Czech National Bank guidelines, is the primary form of bank failure resolution and applies mainly to small banks with little systemic importance. As opposed to that, the non-liquidation form of bank failure resolution, which enables the given bank to remain in operation with simultaneous application of necessary measures, is reserved for systemically important banks, mainly the largest banks.

Thereafter, the paper focuses on the Sberbank Case, the individual phases and aspects of which are analysed. First, Sberbank as such is characterised, the facts of the case are laid out, and it is explained how and for which reasons Sberbank suddenly realized a sudden decrease in its liquidity. The thesis then examines the liquidation form of resolution of Sberbank's failure. It first discusses the administrative proceedings concerning the bank licence removal by the Czech National Bank, then it examines the liquidation of Sberbank. A whole chapter is then dedicated to the issue of global sanctions against Russia, which permeates the entire case and makes it very specific. Finally, the Sberbank insolvency proceedings, which are still ongoing, are examined in considerable detail. Here, the paper focuses its analysis on selected aspects of these proceedings, such as the sale of Sberbank's commercial enterprise or the principle of an automatic registration of creditors' receivables contained in the bank's books. The paper summarises the case, including its current stage, and outlines its possible future progression.

Key words: bank failure, insolvency, Sberbank