

CRISIS MANAGEMENT IN THE BANKRUPTCY COUNTERACTION SYSTEM

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Introduction

While the crisis in the economic and banking system in Ukraine is escalating the banking business is accompanied with higher risks and threats of significant deterioration of their financial situation. This situation is a result of the customer deposits outflow accelerating, asset quality worsening, including loan portfolios, the national currency devaluation etc.

According to the Deposit Guarantee Fund dated September, 2015 the temporary administration is acting in 10 banks. 54 banks are under liquidation process (there are twenty largest banks among them) [1]. That's why the current crisis in the banking system of Ukraine requires banks to review the existing system of banking management and the transition to the modern paradigm of crisis management, which foundation is bankruptcy prevention.

It is obvious that the crisis in the banking system of Ukraine needs the crisis management implementation in banks. In practice of the domestic banking business the crisis management is understood as governance of the crisis consequences. However, this approach usually does not have the desired effect. In the practice of banking business crisis management is a broader concept that should include preventive, reactive measures aimed to stabilize bank after the crisis.

It should be noted that the issue of crisis management in bank in view of systemic crisis escalation processes are not developed enough in both theoretical and practical levels. In particular, scientific and methodical approaches to anti-crisis monitoring of bank financial condition; practical recommendations on developing plans to react on crisis, including micro and macro levels, anti-crisis regulation of bank activities need additional development. The question of bank crisis management in system of bankruptcy response is the relatively new in terms of scientific and practical research and that is why it is not developed enough.

The essence of bank crisis management

Despite the wide use of the term “crisis management” in the theory and practice of banking, its essence is defined by scientists in different ways.

Foreign scientific schools often define crisis management as activities necessary to overcome the situation that threatens the existence of the economic agent, focusing on its survival. At the same time it focuses on the positive nature of crises and crisis management is defined as the creation of diagnostic (warning) tools of crisis and the need to develop a new development course.

In Ukrainian scientific literature crisis management is defined as a governance system of comprehensive nature that is aimed on prevention and elimination adverse business effects, using available resources and survival potential or special procedures implementation (such as reorganization, restructuring, bankruptcy, liquidation).

It should be noted that the majority of scientists study crisis management of business entities as a whole, not focusing on banking institutions, which have their own peculiarities. Therefore, in our opinion, there is the need to define the term “bank crisis management” which combines internal bank management and external actions of regulatory (supervisory) authorities.

Thus, Vovk V. defines crisis management of banking institutions as “a set of measures to detect factors that lead to crises, early diagnostics, prevention and neutralization of the crisis aimed at achieving the objectives of the strategy and progressive development” [2, 42]. The peculiarity of this approach is organized management of the bank regarding diagnostics, prevention, neutralization and overcoming the crisis.

Baranowskyi O. points up prevention and avoiding crisis situations in the bank activities: “Bank crisis management is a governance system of the comprehensive nature aimed at prevention and elimination adverse business effects, using available resources and survival potential or special procedures implementation (such as reorganization, restructuring, bankruptcy, liquidation) [3].

The next approach considers bank crisis management to be the complex process that combines anti-crisis, preventive and reaction measures. Thus, Bass M. suggests: “Bank crisis management is a combination of organizational and

financial management undertaken by governance of each bank and authorized bodies of regulation and supervision during crisis. These measures allow the banking industry overcome the negative period with minimal losses” [4, 25].

Perekhrest L. and Bryshtina V. define bank crisis management as a part of financial security: “Crisis management is the financial relationships, that represent a complex system of governing measures of diagnostics, prevention, neutralizing and overcoming the crisis in order to improve financial security, reduce crisis consequences and further bank development using the full potential of modern management” [5, 246].

Rebryk Yu. defines the essence of bank crisis management through the use of socioeconomic recovery procedures: “Bank crisis management is the process of applying appropriate economic and social procedures of the prevention and/or rehabilitation of bank in order to prevent or improve its financial solvency” [6, 204].

Thus, analysis of scientific schools has shown that the essence of bank crisis management is not considered as an element of the bankruptcy counteraction system. That is why, we have to add the author’s definition of bank crisis management bank: “Bank crisis management is a system of bankruptcy counteraction, operating at the level of every bank management and the authorized bodies of regulation and supervision of banking activities, using available resource potential and implementing specific procedures, such as temporary administration of the regulator, recapitalization, reorganization, restructuring, liquidation”.

Thus, the problem of the crisis and the bankruptcy, its prediction and prevention, has not only local (for an individual bank) nature. Recognition of this fact necessitates the establishment of some control system, diagnostics and protection banks from financial collapse (bankruptcy counteraction system) on the level of individual bank and the banking system as a whole.

Development of the bankruptcy counteraction system

The explanatory dictionary defines the word “counteraction” as “an action that is directed against another action, preventing it” [7, 991]. It should be noted that the word “prevent” is often associated with active opposition – struggle.

There are also the several meanings of the word “struggle” given in this dictionary of the Ukrainian language. “Struggle” refers to “an active opposition, clashes between opposing social groups, directions, trends in society and so on and “an activity that is aimed to overcome or destroy someone or something” [7, 60].

Thus, in terms of the semantics study of the words “struggle” and “counteraction”, the term “counteraction” referring bankruptcy as a socio-economic phenomenon reflects the full range of influence measures directed at possible bankruptcy. Therefore, the term “counteraction” is a broader than the term “struggle” and includes the latter as one of its components.

We consider that the term “counteraction” is a complex concept that includes such activities as prevention, protective measures, breakdown, liquidation, and therefore it is more suitable for the characteristics of the bank bankruptcy mechanism than the “struggle”.

We believe that the bankruptcy counteraction system concerning commercial banks should be considered as a system of financial, organizational, economic, legal, administrative and regulatory relations that provide prevention, protective measures and overcoming internal and external threats created by the crisis that may lead to bankruptcy. In this sense, the bankruptcy counteraction system have to neutralize the threats in the bank activities and provide:

- Early identification of problems in the bank;
- Stable bank development;
- Stable financial position of commercial bank;
- Promoting the effective bank business on the financial market;
- Overcoming the crisis and avoiding bankruptcy.

In general, the “threat” is unrealized, but really existing with a certain probability, the possibility of inflicting losses. The bankruptcy threats can be divided into two groups – internal and external. The external threats include the threats caused by environmental impact on commercial banks activities, such as the state activities, the political situation, the economic situation in the country and the world, business competition and others. The internal threats are directly generated by the bank and are the part of its own policy and strategy in the different activities. The main internal threats include financial resources level,

poor structure of assets and liabilities, senior management and staff incompetence, and other factors that are connected with internal bank operation.

Scientific papers analysis has shown that the wide range of experts defines the threats to banks and the banking system in general in different ways. At the same time, scientists unanimously suggest that the following phenomena create the greatest threat to banks: the low level of capitalization, insufficient liquidity of assets, risk credit policy, the lack of public and corporate entities confidence, imperfect deposit insurance system, low creditworthiness of real economy companies, the lack of banking legislative regulation, internal negative reasons in banking, inadequate bank control by the National Bank of Ukraine, the lack of financial services and instruments, reduction of collateral market value, high level of the economy dollarization [8, 15-16].

We fully agree with the opinion of Baranovskyi O. that the transition of risk into the threat begins when there are negative qualitative changes in the economies connected with the large financial losses, that lead to bankruptcy. That is why it is evident that the threat is a specific form of risk [9, 261].

We also agree with Perekhrest L. that there are the relationships between the concepts of “risk” and “danger”[10, 275]:

- Risk regarding threat is primary, while threat is secondary and is result of risk;
- While risking the bank can get both losses and profits, while the realization of threat never brings income or profits;
- Risk is inevitable companion of banking activities, while the threat may occur only under certain conditions;
- There is inverse relationship between the levels of risk and bank financial security: the higher is the level of financial risk, the lower is the level of financial security, and vice versa.

Thus, the bank financial security is directed only at negative effects and risk management focused on prevention and minimization of losses and damages. In fact, balanced and professional risk management prevents the threats in banking or neutralize them, and the thus protects against possible risk of bankruptcy.

Therefore, in our opinion, the main purpose of the bankruptcy counteraction system is the constant support of effective development and stable financial condition, resistant to external and internal threats through early detection and neutralization of threats and overcoming crisis in the banking business. According to this purpose, bankruptcy counteraction system must ensure the following tasks:

- Identification of possible threats and risks and problems connected with them;

- Analysis of the negative effects caused by every threat;

- Determination of the threats causes;

- Analysis of possible problems (crises) scenarios and identification of the factors that may worsen the situation;

- Neutralization of threats and elimination of problems (crises) through selecting the appropriate levers of influence for the threat and methods of problems (crisis) overcoming;

- Continuous analysis of the undertaken measures effectiveness and monitoring the presence of threats;

- Identification of threats to the bank and correction of indicators according to the environmental changes, goals and objectives of the bank;

- Development of measures aimed to provide bankruptcy counteraction in the short and in the long-run periods, their evaluation and control.

In the view of these tasks, the bankruptcy counteraction system must effectively coordinate interconnection between the formation of information database, analysis, planning of bank development and bank regulation and supervision.

Instruments of the state crisis management

The concept of crisis management establishes a conceptual dependence of one type of management from another. We consider that the complexity of economic, especially management, perception of this concept is justified by the dual nature of any crisis that simultaneously creates and destroys, preparing preconditions and conditions for the further development. This usually destroys the previous bank strategy.

The classic definition of crisis associates it with a long period of abnormally low level of economic activity [11]. In the case of a banking crisis it is referred to a long period of abnormally low level of banks economic activity.

It should be noted that the banking institution operates as the system because it consists of interrelated elements, connections, relationships and represents their integrity. The banking institution may be in a stable or unstable situation. At that all the bank processes are cyclic and not all of them can be managed.

There are the main causes of systemic banking crises:

- The deterioration of banks financial condition due to high volatility of assets prices (security papers, foreign currency assets), that is connected with the negative effects of globalization;
- Modern financial innovations and the development of the derivatives market;
- Low level of competition in the banking system (typical for countries with transition economies);
- Low level of the banking system capitalization;
- Lack of perfect deposit insurance system.

The financial crisis of the banking institution is caused by the influence of external and internal factors, but the main factor of pre-crisis situation is existence of insolvency first with regard to individual contractors and then to the subjects of the financial market (Fig. 1).

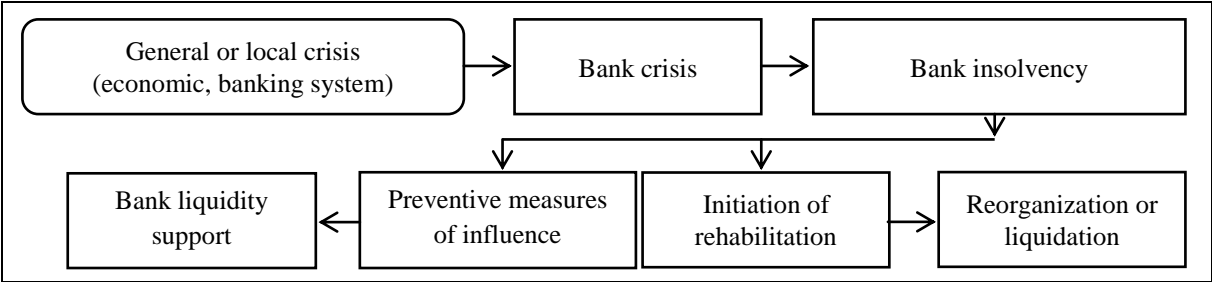


Fig. 1. Crisis appearance and bankruptcy procedure

Thus, it should be noted that the bank crisis management provides the system of management measures and decisions on diagnostics, prevention,

neutralization and overcoming the crisis and its causes at all levels of bank activity.

The state plays a special role in the process of crisis management of the banking system. We believe that the main task of the state crisis management of the banking system is to prevent the crisis through continuous analysis and control for strong and weak points of banking activities in order to improve financial stability and reduce the probability of failure, and in extreme case – early risk detection and development of preventive measures or effective and quick localization and elimination of negative consequences.

In our opinion, the state crisis management of banking sector involves development of the set of measures to counter the negative impact of potential threats on the process of ensuring stability of the banking system and each bank by itself. In this view, the problem of stability measurement in the banking sector becomes relevant, as completeness, efficiency and timeliness of state decisions concerning neutralization of negative factors influence on the stability of the banking sector depend on the adequate evaluation of the existing stability level.

The majority of scientists distinguish the following instruments of state crisis management [12]:

- Financial instruments solve the current issues of banking institutions financial security. There are direct methods: credit arrangement from the National Bank, reduction of compulsory provisioning regulations, restructuring of short-term bank loans, usage of bond instruments. There are also indirect methods: restructuring of tax liabilities, reviewing of bank taxation system, conversion of government enterprises deposits into funds of the bank;

- Operating instruments are used to improve internal monitoring assets structure and banks liabilities: restructuring of short-term bank loans, usage of bond instruments, etc.;

- Structural instruments are aimed at optimization of internal and external structures of banks as main participants of the financial sector that have a direct impact on the level of its stability and reliability: liquidation, merger, reorganization, management of soft assets (Fig. 2).

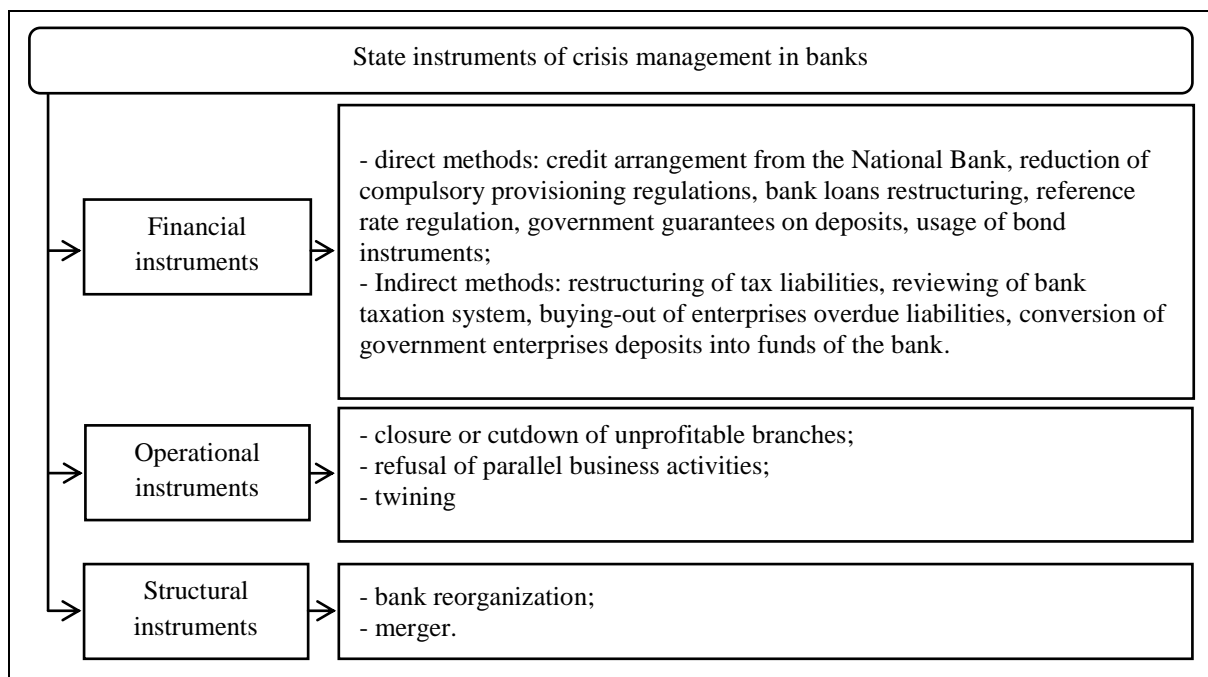


Fig. 2. Instruments of state crisis management in banks

We consider that the proposed instruments do not include directions of state crisis management in banking sector in the full extent, as they take into account management only during crisis and partially involve management of crisis recovery processes. We have to add instruments aimed at pre-crisis management, which is carried out to detect and solve problems in time preventing crisis, and management instruments of the crisis recovery processes, which are carried out and to minimize the possibility of crisis recurrence in future.

The state plays a special role in the crisis management process in the banking sector. That is why besides financial, operational and structural instruments of state crisis management there are instruments aimed at early detection and solution of problems concerning crisis prevention, and government control instruments, aimed at minimization of the possibility of crisis recurrence in future.

Crisis management as an instrument of bank rehabilitation

It is necessary to have a clearly established mechanism of crisis management, aimed at organization and conducting set of measures in order to

prevent banking crises, their location and leveling. The comprehensive approach to crisis management and regulation in the system “crises diagnostics – improvement of crisis management mechanism – simulation of bank processes management” is this the key to successful implementation of the bank management strategy in general.

In this view, prevention of banking crises is one of the priorities in the bank management of the bank, and consciousness of the threats of the banking crisis to economy, has become the impetus for the development and improvement of crisis management, which is intended to be an important element of bank management and to encourage detection of internal and external risk factors, signs and causes of the crisis and the inability of some types of risks to transform into the complex (systemic) banking crisis.

Crisis management is a set of management decisions and their implementation in order to restore normal state, elimination of internal crisis causes and bank readiness for new trials. Crisis management should be prepared even in the case when bank is in good state in order to “switch” quickly the emergency rescue mechanism.

Kostogryz V. has a sensible suggestion to distinguish three types of crisis management in bank:

- Pre-crisis management (for early detection and decision-making in order to prevent the crisis that involves system of preventive measures);
- Management during crisis, which involves stabilization of unsteady states and crisis analysis, detection of the factors that lead to the emergence of crisis, study of strong and weak points of institutions, evaluation of potential opportunities to overcome the crisis, finding the ways to minimize the negative consequences of crisis, restoration of the financial stability;
- Management of crisis recovery processes, which is carried out to minimize losses and missed opportunities during the crisis recovery, substantiation of crisis recovery strategic program, fast detection of deviations of actual results of the rehabilitation programs implementation and the development of measures to eliminate them [8, 157].

Bank crisis management system includes all its activities and requires the formation of a systematic approach to management, including monitoring, planning, regulation and control of bank liquidity and solvency.

Rehabilitation of banking institution as a process includes: firstly overcoming the problems (and their causes); secondly, the restoration of normal stable operation. Rehabilitation may include reorganization, in particular the change of bank structure, ownership, policy on active and passive operations, capitalization, risk management, etc. only in case of need.

The main purpose of the bank rehabilitation is to achieve long-term financial stability, capital adequacy and profitability. Inefficiency of recovery measures means that there is the need of bank liquidation. Thus the study area is activities of stakeholders in order to overcome problems and not the activities aimed at the withdrawal of insolvent bank from the market (through its closure, transfer of assets and liabilities, creation of transitional bank, merger, etc.).

In some cases planning of rehabilitation programs may be involved in agreement (with a view to eligibility) with the supervision body if it recognizes the problematic situation of the bank.

On the one hand, the supervision must analyze the reality of the proposed bank measures, on the other – to support provision of state aid from monetary policy body (in Ukraine the National Bank of Ukraine combines these functions) state aid.

“The new guidelines of the European Commission for restructuring of Banks” published in June 2009, determine the EU Commission approach to evaluation of bank restructuring plans in accordance with the state aid rules [14]. The main rules on bank restructuring in the EU are:

- Every bank suffered from crisis (and the corresponding state-members) have to show in the request for approval of restructuring, that this restructuring is deep enough to allow the bank to cover all costs and ensure appropriate return on equity, without the state funding. The bank should also be able to compete on the market of debt capital. The EU Commission will require stress testing to ensure that this aid proposal is reliable in different economic scenarios;

- Restructuring and restoring of bank viability may last 5 years. This provides much greater flexibility of banks in their planning and can guarantee a

certain natural recovery as soon as market conditions improve. However, the Commission does not expect market recovery and directs the banks to restore normal operation through structural changes: closure or sale of business units or branches, change of business model or balance management. In particular banks have to leave those businesses that are likely to remain unprofitable in the medium term;

- Determining the amount of financial aid bank must indicate the part of its expenditures connected with reorganization instead of relying entirely on state financing. However, the Commission does not establish a minimum level of this investment. In the past, large corporations had to finance at least 50% of restructuring costs (that is equally with the state);

- During the transformation banks may pay dividends and service a subordinated debt from the commercial activities profits. The Commission may approve such payments to allow banks to raise new capital. Banks are not allowed to buy out their shares (although there are no specific restrictions on buy-out of subordinated debentures);

- Banks that receive relatively smaller size of aid or take upon a large part of the restructuring expenditures, or are not important market participants can avoid restrictions connected with prevention the growth of operations or investors fundraising. The Commission will be interested in implementation of compensatory measures if they can be used for opening national markets with high barriers to entry (e.g. by selling the business to a new market participant of), or increasing cross-border operations (e.g. setting credit facilities in countries where the aid is not provided);

- To prevent the use of state support for competitive advantage, banks may be prohibited to use it for purchasing competing companies and other forms of use of the bank special status in the market (comparing to banks that rely on non-governmental support).

Thus, plans to overcome problems and restore normal bank state should include:

- New approaches to corporate governance, including the responsibilities and qualifications of senior management; risk management on an integrated

basis with focus not on historical reporting and regulatory compliance, but on modeling and prediction;

- Personnel decisions – change the system of staff and executive management motivation (localization of professionals, orientation on the adoption of allowable risk, reward for achieving long-term business results); staff reduction in unprofitable and unpromising business units, rationalization of staff number in additory units, centralization of certain functions, efficiency promotion, reducing the costs on social services, marketing and charity events;

- Work with bad assets: a differentiated approach to borrowers depending on their financial condition, discipline of debt repayment, period remaining until the end of amortization and the desire of the client to be engaged in dialogue with the lending bank; monitoring of payment discipline and financial condition of borrowers; debt restructuring in the domestic and foreign market; realization of collateral; release the bank from “toxic” assets through sale them to collector agencies and other credit institutions with a discount;

- Rehabilitation of branch network by combining, closure, cut-off, specialization, unification, departments restructuring, staff motivation, transfer to flexible working hours; development of alternative delivery channels of products and services to customers of the bank – using a low-cost ones, particularly remote banking (mainly ATMs and Internet banking), agent network and mobile offices;

- Leaving unpromising and unprofitable business activities, including the sale of participation in various companies, the closure of internal development projects and investments, the refusal from programs requiring significant investment with low or uncertain cost recovery;

- Diversification of the resource base through customer groups with the line of behaviour that has a low correlation, thus avoiding massive withdrawal of funds from accounts; attract long-term resources in the form of capital instruments that are considered acceptable by the supervisory body to take into account in regulatory capital, search for agreements with creditors on debt restructuring and/or debt conversion into the bank ownership capital;

- Search for strategic investors, that is constrained by bank owners fear about the threat to lose control over the bank. In reality, the search for investors is unproductive as problem bank is not interesting object for investment, and its market value is significantly reducing over time.

In practice, the decision to change the business model for weak bank will be very difficult not only because of inactive operation. Bank in terms of resource constraints, lack of time, mistrust from the market participants should radically rethink priorities in serving customers, development of service delivery channels, staff motivation reformation.

Changing the way of thinking at managers and specialists levels in all divisions is not an easy task. Very often it is simply impossible to do it fast. Sometimes complete executive staff turnover, who are unable to work on overcoming the crisis and only used to obtain short-term profits, is more profitable for the owner (investor) of bank.

The new (or existing) management team must prove the owners, the relevance and the realness of the rehabilitation program and after its approval, make efforts for its implementation. In practice, rehabilitation programs turn out to be vain promises with too ambitious goals and without understanding responsibility for achieving them. Sometimes it's just a list of items in the balance sheet and the costs/incomes without sufficient justification.

Financial recovery requires additional investment, such as in information technology, the development of alternative service and products delivery channels, allowances of bad assets, staff development program, departments closure and so on. In addition to increasing bank capitalization, an investor should return contractors significant outstanding debts of the institution. However, the bank owners may find themselves in deep waters and to refuse from the aid for bank in order to rescue their key non-banking business. There are two options to attract sources for rehabilitation (liquidity support and capital increase) from other private investors or the state. Attraction of private investors in practice often is not feasible because the bank has weak investment attractiveness in the short term period.

Very often weak bank carries out rehabilitation on its own (at the initiative of owners and managers), or with the support of the supervisor. If the

recovery does not succeed, bank owners should announce its liquidation or there comes a time of the forced reorganization.

Recovery procedures delay leads to increasing problems of the bank to a catastrophe level. At that bank is rapidly losing its market value of the bank and its investment attractiveness. That is why it is so important to take early measures.

Completion of the bank rehabilitation would mean the restoration of its normal customer service, fulfillment of all obligations to the contractors, the ability to conduct profitable business without significant reliance on parent structure resources. Thus this refers to not only bank regulatory compliance and reserve requirements.

The criteria of successful bank crisis recovery are:

- Stop of customers funds outflow, absence of complaints about poor service and end of panic among investors;
- Creation of sufficient reserves of liquidity in the interval (31 days) in case of sudden outflows in future;
- Achieving the optimal balance between assets and liabilities by time period;
- Absence of bank debts in effecting client payments;
- Agreements on restructuring with all creditors or the absolute majority of creditors;
- Absence of outstanding debts to contractors;
- Positive trends in debt repayment by borrowers, increasing the part of standard loans; completion of debt restructuring and/or sale of customer debts to collector agencies;
- A stable tendency to reduce losses and later – profitability;
- Increasing capitalization with sufficient capital buffer in case of stressful events and sustainable excess of regulatory capital over authorized capital;
- Stabilization of executive management at the level of directorial board and key departments;
- Completion of the staff reduction program;
- Implementation of staff and executive management motivation aimed only at acceptance of allowable risk and long-term profits earning;

- Closure of unprofitable or unpromising and long-term business development projects of the bank;
- The end of the bank branch network restructuring (closure, liquidation, merger).

The subjects of recovery are:

- Anti-crisis team including senior managers, heads of departments and experts, specially designed by owners;
- Existing bank directorial board;
- Partly renewed bank directorial board with the senior managers invited from other banks;
- Temporary administrator with the new bank directorial board.

Practice shows that the most acceptable option is considered to be the first one. The second option considers that managers are not responsible for problems in the bank. The problem of the third option involves the potential threat of misunderstanding and conflict between different interests, styles and approaches. The fourth option has a significant disadvantage because the temporary administration is a kind of alien element in the bank structure, its presence is the evidence of serious problems, it can be more focused and motivated on the process, but not on the desired result. For example, the temporary administrator may be more interested in attracting a strategic investor, but not in the rehabilitation of institution [15].

Thus, a bank may be considered as financially viable institution if: firstly all the requirements, limits and standards set by the supervisor are fully performed; secondly, shareholders are ready and able if necessary to increase capital so that they can cover adopted and future risks; available capital is not exhausted by counter credit operations of the key business of stakeholders; thirdly, a set of measures in case of prolonged (up to 2 successive quarters) stressful events on the market and in the bank (liquidity aggravation, credit quality deterioration) is developed and regularly reviewed on critical basis; bank management is able to conduct an internal reorganization, confidently responding to external threats.

Summary

Depending on the crisis nature (systemic crisis or a crisis in a separate bank) rehabilitation can rely on state support in more or less extent. In both cases, the bank have to intensify cooperation with agency banks, clients (current account holders, depositors and borrowers), bondholders, shareholders, the central bank as well as the media and rating agencies. It is impossible to carry out bank rehabilitation without this (at least moral support). Recovery peculiarities during systemic crisis is determined by such negative factors as lack of opportunities to rely on raising funds from other banks, decline of confidence to banks from depositors, the outflow of customers funds. However, the bank that has predicted such a crisis, for example, has had a conservative attitude towards credit easing during the credit boom or hasn't developed branch network without economic basis may find itself in the better position. In addition, the systemic crisis allows the bank to rely on significant support from the state. It is difficult to get such a support during the crisis in a certain bank, but it is able to attract (for appropriate supply) resources from other banks.

Thus, crisis management in the banking institutions and systems should be daily, continuous, ongoing throughout the whole period of their functioning, effective management process, which subjects are state administrative bodies, and which objects are banks and banking system. A comprehensive approach to crisis management problem in the banking system, high-quality interactions (horizontal and vertical) of all governmental levels will provide long-term effect. In modern conditions of Ukraine's economy and the domestic banking system development the priority measures to overcome the negative impacts of the financial and economic crisis on domestic banks as part of the crisis management are:

- Development of the crisis mechanism and the bank internal and external environment scan system for early detection of "weak signals" about the threat of a crisis;

- Implementation of the strategic bank activity controlling and development of strategies to prevent its financial problems, operational assessment and analysis of bank financial condition, detection of the bankruptcy possibility;

- Development of the bank policy during crisis and its recovery;
- A constant credit risk assessment and development of measures to reduce it;
- The problem of bank owners responsibility for aggressive management, which leads to the accumulation of risks, needs the urgent solution on the legislative level;
- Accelerating the adoption of the law on the legalization of income, as it would allow to return significant funds in Ukraine, that would help to stabilize the banking system, including increasing the level of capitalization.

In our view, using the abovementioned recommendations will overcome the negative effects of the crisis, ensuring a reliable and steady development of the national economy and its sector of the banking system.

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