

WORLD EXPERIENCE OF IMPLEMENTING RECAPITALIZATION PROGRAMS IN FINANCIAL INSTITUTIONS DURING GLOBAL FINANCIAL CRISIS

Lyudmyla Khomutenko,

Candidate of Science in Economics, Department of International Economics

Ukrainian academy of banking of the National bank of Ukraine

Yaroslav Khomutenko,

Ukrainian academy of banking of the National bank of Ukraine

The anti-crisis policy of the government and regulatory authorities served as the basis for qualitative and deep functional upgrade of the banking sector.

In conditions of crisis, banks and other financial institutions are facing serious financial problems that mostly affect both liquidity and solvency of financial institutions. In such circumstances, governments and central banks raise the question of methods and tools, which can be involved to stabilize the situation and overcome the crisis.

Foreign experience of implementing anti-crisis measures to counter the consequences of the financial crisis demonstrates the existence of various mechanisms and schemes. One of the most common methods is recapitalization of banks with state funds that can be used by banks for overdue debts. This approach involves determining the real amount of capital to cover risks associated with the management of problem assets and creating programs for restructuring of problem assets.

It's generally known, that practice of recapitalization of financial institutions is a classic model to deal with crisis. Recapitalization, in the classical sense - the change of capital structure by exchanging one type of securities for others. Recapitalization of banks is conducted to provide them with additional capital in exchange for participation in ownership of the bank. Programs of recapitalization, that is introduced by most economically developed countries, based on the use of

different instruments, including instruments of redistribution of property rights (in the form of purchase of ordinary or preference shares) or under the subordinated debt. In these circumstances, the state is able to control bank credit policy.

Countries around the world spent 15% of the total amount that has been used to combat the financial crisis, or 1.352 trillion dollars on recapitalization of banks and financial institutions in 2008. For some countries it had become the primary measure. For example, there was allocated 84% of funds to recapitalize the banking system in Russia.

World experience shows that there are several options for recapitalization of banks. They are united by the ability to clean banks' balance sheets from troubled assets and to compensate financial losses. These procedures are quite expensive, in some countries such expenditures reached 15% of GDP.

Despite the differences between existing schemes of recapitalization, measures on their realization can be arranged in such a way:

1. Selecting financial institutions for participating in recapitalization programs (mostly - banks, but this process may involve insurance companies, for example in USA, Germany);

2. Selecting banks - resolving the question regarding the need, priorities, opportunities and participation of a particular bank in that process.

3. Resolving the issue on the financing of the recapitalization, including volume, source (government funds, the creation of special funds);

4. Identifying a list of assets that are subject to purchase (loans, securities, real estate, etc.).

5. Providing control and supervision of financial institutions, namely the control of the use of capital, corporate governance, salaries of top managers and others.

Recapitalization of financial institutions were actively embodied in the U.S., UK, France, Germany, Austria, Spain, Belgium, Cyprus, Russia, Greece, Luxembourg, the Netherlands, of Denmark, Sweden, Switzerland, Japan, India, Qatar.