

# **Bankruptcy of financial institutions**

## **Abstract**

The topic of the thesis is the bankruptcy of financial institutions. The thesis deal with bankruptcy of financial institutions, which are defined in the Insolvency Act, int its § 2 paragraph k). These include banks, credit unions, securities dealers, insurance companies and reinsurance companies. Given the potential system-wide impact of the bankruptcy of financial institutions and also for the reason a large number of creditors, special legal regulation on the insolvency of financial institutions is necessary. The special legal regulation of bankruptcy of financial institutions can be found in the Part Two of Title IV of Insolvency Act. The main focus of the work is the differences of insolvency proceedings in financial uinstitutions from standard insolvency proceedings.

Depositors usually represent the majority of creditors of financial institutions and therefore are afforded increased protection in insolvency proceedings of financial institutions. This protection is based on the deposit insurance system, which in Czech legal environment is represented by the Guarantee System Deposit Insurance Scheme and the Securities Dealers Guarantee Fund, and also in the automatic registration of claims arising from the insolvent debtor's accounts. Special role in the insolvency proceedings of financial institutions is the Czech National Bank, which acts as the supervisory authority and supervisor of financial institutions and also as the competent authority for for crisis resolution.

The failure of financial institutions is a global issue and cannot be contained by Czech borders. In an era of globalization, when the financial health of a parent company often based in another European or non-European country affects the financial vitality of an institution with Czech Republic, there is also a need for regulation at the level of the European Union. Special regulation insolvency of financial institutions, which is contained in Title IV of Part Two of the Insolvency Act, contains the European Union regulations in question.

**Keywords: bankruptcy of financial institutions, insolvency proceedings, financial institutions**