

# [Resolution ups to $100,000 (including interest). however, this](https://assignbuster.com/resolution-ups-to-100000-including-interest-however-this/)

Resolution tools refer to tools are used to assist and resolve a member institution’s failure. Nowadays, CDIC has five methods to solve a problem include reimbursement of insured deposits, forced sale, bridge bank, financial assistance, and bail-in framework. Depending on the status of a bank, CDIC will determine which method is chosen. When a bank completely bankrupts and stops all their performance, CDIC will use reimbursement of insured deposit to compensate an amount of money to insured depositors. With each insurance category, the insured depositor will be repaid insured deposit ups to $100, 000 (including interest). However, this tool is not for Systemically Important Banks known as D-SIBs.

Then, if an investor interests in a failing bank, CDIC will control in short time to complete sale, merger or reorganization process. This way is called forced sale. It not only keeps bank’s performance but also protects insured depositors. With the bridge bank tool, CDIC will move a part or all an unsuccess bank’s business to a bridge bank owned by CDIC in a short time.

This tool is used when CDIC is seeking a solution or buyer for a failing bank. Because CDIC is owner of a failing bank, so CDIC will restructure a bank’s system to create stabilization for a bank until a bridge bank sells it to a buyer. As forced sale tool, CDIC will keep a bank’s performance and protect depositors.

Next, with financial assistance tool, CDICs members will be provided loans, guarantees, or deposit to cover financial difficulties.  Finally, Bail-in Framework tool only is used for D-SIBs. By using this tool, CDIC reorganizes a failing D-SIB and help it revive by controlling and issuing shares to pay debts. With this method, shareholders and investors are responsible for all debts and loss, but deposit of depositors will not be affected and will be protected by CDIC. After a failing D-SIB performs stabilization under the operation of CDIC, CDIC will return a bank to private control.