



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

UNION OF COMOROS

Operationalization of the Revised Law on the
Resolution of Financial Institutions

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High-Level Summary Technical Assistance Report

Monetary and Capital Markets Department

Union of Comoros: Operationalization of the Revised Law on the Resolution of Financial Institutions

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: In August-September 2024, the IMF's Monetary and Capital Markets Department assisted the Central Bank of Comoros (BCC) in operationalizing a special resolution regime under the Law on the Recovery and Resolution of Financial Institutions (LRIF). The technical assistance focused on enhancing the BCC's capacity for bank restructuring and resolution, including on resolution tool and funding mechanism, and depositor preference. Despite progress in legal framework development, challenges persist, in particular due to the underdeveloped financial safety net and the absence of liquidity support mechanisms. Recommendations emphasize prioritizing suitable resolution tools, strengthening the liquidity assistance framework and establishing a resolution funding mechanism to enhance financial stability in Comoros.

JEL Classification Numbers: G21, G28.

Keywords: Financial safety net, resolution framework, resolution planning, resolution funding, depositor preference, resolution manual.

The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Comoros (the "CD recipient") in response to their request for capacity development. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)).

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Background

At the request of the Central Bank of Comoros (BCC), the IMF's Monetary and Capital Markets Department (MCM) conducted a technical assistance (TA) mission during August 28–September 4, 2024. The mission supported operationalizing a special resolution regime (SRR) based on the Law on the Recovery and Resolution of Financial Institutions (LRIF), revised in June 2024. Discussions centered on operationalization of restructuring and resolution options and capacity, including select resolution tools and powers, resolution funding mechanism, depositor preference, resolution manual and timeline of resolution actions.

Summary of Findings

The Comoros has made significant progress in developing a legal framework for its bank resolution regime, yet the financial safety net remains underdeveloped, limiting available policy options for addressing problem banks. Although there has been progress, supervisory early intervention remains weak, and the BCC lacks a mechanism for providing liquidity support during resolution and an emergency liquidity assistance (ELA) function for solvent banks with liquidity strains. The adoption of the LRIF in December 2020, largely drawn from the European Bank Recovery and Resolution Directive (BRRD) and adopted for the Comorian context, has expanded the Comorian authorities' tools—namely the BCC designated as the resolution authority—for dealing with failing banks. Prior to this law, the authorities' options were limited to regulatory forbearance or bail-out when handling failing or likely-to-fail banks.

Recent amendments to the LRIF in June 2024, following recommendations from Fund staff, have improved the framework by addressing key aspects. These amendments include strengthening the statutory depositor preference, introducing a resolution funding mechanism, and giving the BCC the power to liquidate an entity in default. The revised law clarifies the resolution financing mechanism, which aims to reduce the likelihood of taxpayer and BCC balance sheet exposure when resolving failed banks. The mechanism allows for a temporary exceptional funding for resolution provided by the State with ex-post recovery from the financial system. Effective operationalization of the resolution funding mechanism requires determination of ex-post contributions levied on the financial sector after the state-funded resolution. The mission provided examples and a customizable template/tool for BCC staff to calculate the contributions, which can be adapted to the evolving features of the financial system.

Summary of Recommendations

Part I of the report recommends the resolution tools and powers that the BCC should prioritize to operationalize its resolution powers. The BCC should focus its efforts on operationalizing the resolution framework of a select set of resolution tools—specifically, the purchase & assumption tool, and if no buyer is willing to participate in such a sale, the bridge-bank tool.

Part II of the report aims to support the BCC's efforts in drafting resolution plans for financial institutions, including the process of assessing the resolvability of each financial institution. The mission concluded by inviting the BCC to start drafting individual resolution plans, using the template in Appendix I.