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Keep in mind

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An effective resolution regimen should reduce moral hazard in the banking industry. Countries with the right tools and monetary resources available should be able to handle a systemic financial crisis without recurring to tax payer's money and minimizing spillovers on the rest of the economy. The Colombian systemic crisis of the late 1990s is a good example to evaluate the way the authorities of the moment used resolution powers in a time when resources were almost non-existent to deal with banks failures. The Colombian literature about it is large, but all refers to the economic consequences and the issues that were behind the negative growth, the (un)sustainability of public debt and the tightening of private consumption and investment. In this paper, we go deep into the legal and institutional framework and to the tools available to take decisions and to resolve the crisis. We found that the authorities were very creative and resourceful and that they set the foundation for a healthy financial system for years to come. However, the lack of an appropriate level of funding and of some instruments, like bridge bank or P&A, could have made the dealings of the crisis more difficult and the resolution of the crisis took more time.