



Dormant accounts and administrative costs

Basis

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| <ul style="list-style-type: none">• DGSD art. 8.9• "No repayment shall be made where there has been no transaction relating to the deposit within the last 24 months and the value of the deposit is lower than the administrative costs that would be incurred by the DGS in making such a repayment." | <ul style="list-style-type: none">• Swedish Deposit Guarantee Act• Compensation shall not be paid if:<ul style="list-style-type: none">• There has been no transactions on the account during the last 24 months prior to the compensation case and• The compensation amount is lower than the guarantee authority's administrative costs of paying out |
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2 parts:

- **no transaction within the last 24 months (dormant account)**
 - **the deposit is lower than the administrative costs**

Dormant accounts

Definition

- What exactly constitutes a “transaction”?
 - interest rate payments?
 - Charges/fees/commissions?
 - What about fixed term accounts?

Identification

- Identification will require the institutes to flag dormant accounts in the SCV-files
 - Required changes to our SCV-regulation (file format)
 - Institutes were not easily able to identify dormant accounts
- Manual identification requires help from institution/liquidator
 - Time-consuming

Administrative cost

- SNDO has no “least payable amount”
- The administrative costs are set through a SNDO decision (secondary legislation)
- Four available “repayment methods”
 - Depositor registration on internet platform
 - Institutions registers on platform on behalf of depositor (account in another institution)
 - Payment advice
 - Check
- Each entail different costs - four different administrative costs?
- Should this include other costs than are directly related to paying out?
- Technically it is difficult to apply and to communicate different administrative costs depending on payment methods

Considerations

- Could administrative cost be set to zero?
- Decided against on grounds related to administration of small payments
 - We reimburse all remaining depositors who have not registered an account through payment advice or check after a certain number of days
 - There are a lot of “small balance accounts”
 - People tend not to bother to register to receive or redeem small amounts
 - The administration of a non-redeemed payment advices or check is time-consuming
 - On balance we expect a sizable net decrease in administration (non-redeemed vs. manual dormancy check)

What we did

- Decided that institutes are not required to flag dormant accounts
- Decided on one single administrative cost of SEK 25 (~ Euro 2,5)
- Decided to implement a “cut-off function” in our system whereby no payments are made to depositors if total deposits are below cut-off level (administrative cost).
- Require depositors with balance below administrative costs to contact the SNDO with a request for payout at which time we will (manually) check for “dormancy”
- Pros:
 - Reduces the number of depositors reimbursed
 - Decreases administration of non-redeemed payment advices
 - Requires no extra effort for institutions
- Cons:
 - Will require “manual” administration of depositors who ask to have their deposits below SEK 25 paid out