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The Case of ABLV Bank AS

Jānis Placis
Senior Resolution Expert
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ABLV (ind) Balance Sheet as of 31.12.2017. (in EUR mn)

Assets		Liabilities	
Central Bank	389	Deposits <i>incl. non-residents</i>	2 684 2 462
Banks	272	Bonds Issued <i>owned by. non-residents</i>	527 468
Securities <i>incl. governments bonds</i>	1 775 1 116	Other	134
Loans	1 010	Equity	356
Investments	172		
Other	83		
Total	3 701	Total	3 701



Chronology of Events

13Feb

U.S. Department of the Treasury's Financial Crime Enforcement Network («FinCEN») publishes a finding and notice of proposed rulemaking

18Feb

ECB decides to instruct FCMC to impose a prohibition on ABLV to make payments on its financial obligations

23Feb

- **ECB makes the assessment of FOLTF, SRB concurs with the assessment,**
- **SRB makes the decision not to place ABLV under resolution and sends the decision to FCMC as NRA for implementing the decision**
- **FCMC decides on unavailability of deposits**

26Feb

Extraordinary meeting of ABLV shareholders adopts the decision of the commencement of voluntary liquidation

27Feb

FCMC adopts the decision regarding pay-out of guaranteed compensation

03Mar

Citadele Bank starts to pay out state-guaranteed compensations to ABLV clients

- Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes does not specify the form and procedure for the pay-out of guaranteed compensation.
- Section 25 of Latvian Deposit Guarantee Law regulates the manner and procedure for the disbursement of guaranteed compensation:



Section 25 Manner of and Procedure for the Disbursement of the Guaranteed Compensation

(1) The guaranteed compensation shall be disbursed within the term laid down in [Section 26](#) of this Law in one of the following manners:

.....

4) the guaranteed compensation from the assets of the deposit taker and the deposit guarantee fund shall be disbursed through such a deposit taker to whom unavailability of deposits has occurred.

In the report of 15 December 2017 to the Board of the Commission on the results of the stress testing first phase the Resolution and Guarantee Funds Division (hereinafter - RGFD) suggested examining the ability of ABLV Bank AS to prepare the single customer view (hereinafter - SCV) in line with the provisions of the Commission's Regulations No 30 of 6 February 2018 "**Regulations on the Collection and Submission of Information on the Guaranteed Compensations**" (hereinafter – the Regulations).

- On 24 February 2018, the Commission asked the Bank to submit the SCV drawn up pursuant to the provisions of Regulations, including the information in the version contained in the Bank's accounting records on 24 February 2018, at 00:00.
- Information in compliance with the Regulations was submitted on 1 March 2018 and based on it, the payment of guaranteed compensations (GC) was carried out.



Bank's financial standing

- On 27 February 2018, in adopting a decision on the pay-out of GC to the Bank's depositors, the Board of the Commission established that the amount of GC was 480.4 million euro, but the Bank's liquid assets amounted to 1,444.0 million euro, i.e. amount of Bank's financial resources was sufficient that the Bank would be able on its own to ensure the pay-out of GC to the Bank's customers
- In view of above, the Board of the Commission found out that it would be appropriate with the actual situation to adopt a decision on the pay-out of GC using the Bank's funds.



Operational solutions

- Since majority of banks did not accept the payments from the Bank, then in case the Bank itself paid GC there was extremely high risk that the Bank's customers would not receive GC in their accounts opened with other credit institutions.
- Therefore, upon consent of the Bank, the Board of the Commission decided to disburse GC through the Commission and instruct the Bank to transfer 480 million euro, i.e. the amount needed for the GC disbursement to the current account of the Commission with the Bank of Latvia.



- Besides, the Board of Commission decided to enter into an agreement with the joint stock company "Citadele banka" regarding the disbursement of GC to the Bank's customers and instruct JSC "Citadele banka", not later than 7 March 2018, to start the pay-out of GC to the eligible Bank's depositors.
- On 28 February 2018, the Commission entered into the agreement with the joint stock company "Citadele banka" on the disbursement of GC to the Bank's customers.

- In accordance with paragraph 12 of Transitional Provisions of the Deposit Guarantee Law: "If after the date of this Law coming into force unavailability of deposits occurs to a deposit taker by 31 December 2018, the disbursement of the guaranteed compensation shall be started within 20 working days".
- In fact, the GC pay-out was commenced on 3 March 2018, i.e. the holiday within 5 working days.



Conclusions

If due to any circumstances the credit institution is unable to carry out the disbursement of GC on its own and refuses to transfer the money for the GC pay-outs, the GC disbursement from the credit institution funds becomes impossible.



RGFD proposal

To draw up amendments to the Deposit Guarantee Law providing that in case the credit institution is unable to carry out the disbursement of GC on its own, the credit institution shall transfer the funds intended for the GC disbursement to the DGF in the amount that the assets in the amount to cover the costs relating to its winding-up remain at the credit institution's disposal.



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Thank you

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Kungu ielā 1, Rīga LV 1050, tālr.: +371
67774800

fktk@fktk.lv | www.fktk.lv

