EUROPEAN CENTRAL BANK

BANKING SUPERVISION

PRESS RELEASE

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ECB determined ABLV Bank was failing or likely to fail

- Decision followed significant deterioration of bank's liquidity situation
- Insufficient available funds for stressed outflows
- Single Resolution Board (SRB) assessed that resolution action not in public interest
- Bank and subsidiary in Luxembourg to be wound up under law of Latvia and Luxembourg, respectively

On 23 February, the European Central Bank (ECB) determined that ABLV Bank was failing or likely to fail in accordance with the Single Resolution Mechanism Regulation. The ECB also determined ABLV Bank Luxembourg, a subsidiary of the Latvian bank, failing or likely to fail.

Due to the significant deterioration of its liquidity, the bank is likely unable to pay its debts or other liabilities as they fall due. The bank did not have sufficient funds which are immediately available to withstand stressed outflows of deposits before the payout procedure of the Latvian deposit guarantee fund starts.

On 13 February, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced a draft measure to name ABLV Bank an institution of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. Following this announcement, the bank experienced an abrupt wave of withdrawal of deposits and a lack of access to US dollar funding. This resulted in the bank being unable to make payments in US dollars.

Subsequently, the ECB instructed the Latvian supervisory authority, the Financial and Capital Markets Commission (FCMC), to impose a moratorium on the bank to give time to the bank to stabilise its

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situation. A moratorium was also imposed by the Luxembourg authorities for the subsidiary of the bank in Luxembourg.

Following the failing or likely to fail determination, the ECB duly informed the Single Resolution Board (SRB), which determined that resolution action was not necessary as it was not in the public interest for these banks. As a consequence, the winding up of the banks will take place under the law of Latvia and Luxembourg, respectively.

Eligible deposits in ABLV Bank are protected up to €100,000 in accordance with the deposit guarantee fund in place in Latvia. Customers can contact the bank directly or the FCMC which is the administrator for the Latvian deposit guarantee fund.

Facts about ABLV

- *ABLV is Latvia's third-largest lender with representative offices in many Commonwealth of Independent States (CIS) countries.*
- *At the end of the third quarter 2017 the bank reported deposits of EUR 2.67 billion and assets of EUR 3.63 billion.*
- *The bank was founded in September 1993 as a regional branch in the city of Aizkraukle and initially named "Aizkraukles Banka". The bank was later renamed ABLV.*
- *In 1995, the bank started to expand its activities and established a branch in Riga.*
- *The bank was privately held and was one of three Latvian banks directly supervised by the ECB.*
- *ABLV was deemed one of 6 systemically important banks by the Latvian regulator. The designation mean*t that additional regulatory demands were imposed.
- *In May 2016, the FCMC fined ABLV for over EUR 3 million and issued a reprimand against the board member responsible for anti-money laundering activities at the bank.*
- *Between May and November 2017 the bank conducted a six-month inspection following allegations of circumventing sanctions imposed against North Korea.*
- *On 24 November 2017, the FCMC and ABLV concluded another administrative agreement, in which the parties agreed to dismiss the matter without drafting an administrative act, imposing any monetary fines or applying any other sanctions.*
- *The FCMC subsequently instructed ABLV to continue improving its internal control system.*

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Note:

- Failing or likely to fail is the classification used by supervisors for institutions that become non viable. Resolution is the process of restructuring failing banks with minimum impact on the real economy and public finances. At the euro area level, it is run by the Single Resolution Board.

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