

## FAQ – frequently asked questions

### Why was Versobank AS's authorisation withdrawn?

The authorisation of Versobank AS was withdrawn on 26.03.2018 because the bank had significantly breached the requirements of law, particularly concerning money laundering and terrorism financing, and also requirements concerning the provision of services in other member states of the European Union.

In general terms the background of the withdrawal of authorisation was:

- Breaches of conducting customer due diligence during business establishment and when conducting ongoing monitoring
- Failure to comply with the precept issued by Finantsinspeksioon in 2016
- Illegal banking activity in Latvia
- Submission of misleading information to state financial supervisory authority

Due to these breaches, the accounts opened in Versobank AS were used to participate in various international schemes.

The decision to withdraw the authorisation of Versobank AS is published [HERE](#).

### These breaches took place some time ago, why was not the authorisation withdrawn then?

Finantsinspeksioon discovered during its on-site inspection conducted between 2015 - 2017 that Versobank AS had significantly breached the requirements of law concerning anti-money laundering and combating the financing of terrorism, and also requirements concerning the provision of services in other member states of the European Union. The breaches were systemic and long-lasting, and despite frequent interventions by Finantsinspeksioon, the breaches continued.

The failure by Versobank AS to eliminate the breaches of law for a long time, to deal with breaches discovered during repeated on-site inspections in a timely manner, and to comply with the precept to the extent prescribed by Finantsinspeksioon, finally led to the withdrawal process being initiated.

### Should clients of other banks be similarly worried?

No. The withdrawal of the authorisation of Versobank AS is an isolated case and it is not foreseen at this moment that any other credit institution would have its operating licence revoked. If any other financial intermediary were to decide to breach the standards and rules in the same way however, they would have to expect the same consequences as in the current case.

## Deposit and investment guarantees

### What will happen to the clients of Versobank AS?

So that the liquidation of Versobank AS can proceed smoothly, the Guarantee Fund decided on X March 2018 to compensate all the deposits and investments held by depositors in the bank within the limits defined by law of

- up to 100,000 euro per depositor; and
- up to 20,000 euros per investor.

To define the amount of compensation, all of the deposits held by each depositor in Versobank AS and the accrued interest on them are added together at the date of suspension, which is 26.03.2018. The amount compensated is the total of the deposits and the accrued interest on them, but the total amount of compensation cannot exceed 100,000 euros. If the total amount of deposits and accrued interest do exceed 100,000 euros, the maximum limit for compensation to be paid will be 100,000 euros.

In addition to the 100,000 euros, up to 70,000 euros inclusive of interest accrued as at the date of suspension can be compensated for funds of depositors that have been received for personal use from the transfer of residential property as defined in § 5 (4) of the Creditors and Credit Intermediaries Act (Guarantee Fund Act § 25).

Investments that have been made through an investment institution registered in Estonia or through the Estonian branch of a foreign investment institution will be returned and compensated to investors as laid out by law. The Investor Protection and Sectoral Fund will also return and compensate investments if the investment institution provides investment services internationally in a foreign country.

#### **What will happen to the remaining deposits and investments that the Guarantee Fund does not compensate?**

Claims that are not satisfied through the Guarantee Fund will be treated during the liquidation procedures for the bank. The receivers will report the collection, handling and settlement of claims separately as laid out by law. Depositors can submit their claims to the receivers for these amounts (telephone +372 5679 8500; email versobank@kpmg.ee; address Versobank, Hallivanamehe 4, 11317 Tallinn, Eesti).

#### **What funds will be used to compensate client deposits and investments?**

Deposits will be covered from the funds of the Guarantee Fund which are built up from contributions by credit institutions. Investments will be covered from the funds of the Guarantee Fund which are built up from contributions by investment institutions. The Guarantee Fund compensates all qualifying deposits and investments within the limits set out in law of 100,000 euros per depositor and 20,000 euros per investor.

#### **Whose deposits and investments are compensated?**

The deposits and investments of private individuals and companies are compensated, except the deposits defined as not qualifying for compensation under § 30 of the Guarantee Fund Act, and non-qualifying investments under § 48 of the Guarantee Fund Act.

#### **Are all deposits of different types covered by the compensation?**

The compensation covers all deposits regardless of whether they are in euros or in another currency. The compensation covers cash on accounts, demand deposits, term deposits, overnight deposits, operating deposits, growth deposits, savings deposits, and children's deposits. Compensation is paid for deposits and the interest accrued on them as at the day of suspension, but not more than 100,000 euros per depositor per credit institution (Guarantee Fund Act § 24).

#### **Are non-residents compensated in the same way?**

Non-resident deposits are guaranteed and qualify for compensation under the conditions laid out by law.

#### **Whose deposits are not covered?**

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All the deposits of private individuals and companies are compensated, with the exception of (Guarantee Fund Act § 30):

- 1) deposits that were deposited as at the date of suspension by the Estonian state or a foreign state;
- 2) deposits that were deposited as at the date of suspension by an Estonian or foreign:
  - unit of local government;
  - insurer or reinsurer, investment fund, investment association, fund manager, or other credit institution;
  - e-money institution, or payment institution;
  - creditor or credit intermediary;
  - other financial institution listed in § 30 (1) 4-8 of the Guarantee Fund Act, including financial holding companies, mixed financial holding companies and asset management companies as listed in Article 4 (1) 26 of Regulation (EU) No 575/2013 the European Parliament and of the Council, with the exception of the insurance activities of insurance holding companies and mixed insurance holding companies as defined by law.

Claims are not considered to be deposits if:

- 1) their existence can only be proved by the securities listed in § 2 of the Securities Market Act, except for securities intended for saving as evidenced by a certificate of deposit defined in § 24 (3) of the Guarantee Fund Act, or
- 2) the principle is not repayable at its nominal value, or
- 3) The principal is repayable only under the guarantee of a credit institution or third party, or under some other agreement.

#### **Are there any other deposits that are not compensated?**

The Guarantee Fund does not compensate the part of deposits that is equal to liabilities that are payable by the same holder to the same credit institution (Guarantee Fund Act § 30 (2) 1).

If the depositor has liabilities payable as at the date of suspension (X.X 2018), such as loan principal or interest payments to Versobank AS, the deposits to be compensated are reduced by the amount of the liabilities. Information on loans can be requested from the receivers of Versobank AS (telephone +372 5679 8500; email [versobank@kpmg.ee](mailto:versobank@kpmg.ee); address Versobank, Hallivanamehe 4, 11317 Tallinn, Eesti).

Deposits are not compensated if their owner cannot be identified by the credit institution (Guarantee Fund Act § 30 (2) 2).

In addition, claims arising from capital instruments that are classed as the own funds of the credit institution under Article 4 (1) 118 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, and claims arising from debt securities, debt certificates and promissory notes issued by the credit institution are not compensated.

Deposits that have been confiscated following a court case for money laundering or terrorist financing are not compensated either. If the deposit has been frozen by an injunction from the Financial Intelligence Unit or has been seized in the criminal proceedings for a money laundering or terrorist financing case, the compensation of the deposit is suspended until the injunction is revoked or the court has issued its ruling (Guarantee Fund Act § 30 (4)).

#### **Where can I find out about the amount to be compensated?**

The receivers of the bank must make sure that within two working days of the date of suspension every depositor is able to access the bookkeeping data on their deposits and find out the balance of their deposits (Guarantee Fund Act § 38 (1) 1). The depositor has the right to present their opinion on their deposit balance

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within four working days of the publication by the Guarantee Fund of the announcement to this effect in national newspapers (Guarantee Fund Act § 38 (3)).

The receivers of the bank must send each investor data on their investments within 45 days of the date of suspension of deposits at the latest (Guarantee Fund Act § 57 (1)). The investor has the right to present their opinion on their investments and the value of them within five months of the publication by the Guarantee Fund of the announcement to this effect in national newspapers (Guarantee Fund Act § 57 (3)).

Compensation is paid out to the list of depositors and investors and the amount of compensation they are due that is compiled by the Guarantee Fund from data submitted by the receivers.

### **What will happen to my loans?**

Loan contracts continue to apply as agreed, and the principal of the loan and interest on it should be paid in accordance with the loan contract and payment schedule of Versobank AS. If there are obstacles to the repayment of the loan in accordance with the contract, and the client who has taken the loan from Versobank AS is not able to repay the loan for technical reasons because the former payment solutions of Versobank AS do not work, the client will need to contact the receivers of Versobank AS.

Under § 103 (1) and (2) of the Law of Obligations Act, a debtor is not responsible for a breach of obligations if the breach is excused. A breach of obligations is considered excused if it is the consequence of circumstances that the debtor, or borrower, has no control over. In circumstances where the actions of Versobank AS as the recipient of the loan payment temporarily prevent the loan payment from being made, the breach of obligation by the borrower may be considered excused and the late payment should have no consequences for the borrower. Please note: such a temporary circumstance does not change the obligation for the borrower to repay the loan as soon as the obstacles to repayment have been removed.

The Guarantee Fund will subtract from the amount of the deposit to be compensated the amount that the client owes to the bank. If the depositor has liabilities payable on the date of suspension (26.03.2018), such as loan principal or interest payments to Versobank AS, the deposits to be compensated are reduced by the amount of the liabilities.

## **Payment of compensation**

### **When will the compensation start to be paid out?**

Deposits are compensated within up to 17 working days. Investors should receive compensation at the latest within one month of the value of the investment to be compensated being confirmed by the Guarantee Fund. The Guarantee Fund, the receivers and the agent bank will give notification about compensation separately in accordance with the law.

### **How is the compensation paid out?**

Compensation will be paid out through Swedbank and SEB Pank as the agent banks by transfer to a bank account that the depositor has submitted details of to the receiver. The receivers will contact the depositors and investment service clients of the bank directly.

### **Where are the payments made?**

If the depositor is listed by the guarantee fund as having the right to receive compensation, the compensation will be paid out by transfer to a bank account nominated by the depositor or in cash at the request of the depositor.

Investors will only be paid compensation by transfer of funds to a bank account nominated by the investor.

### **How quickly can I get my money?**

The compensation will be available at the latest within seven working days of the date of suspension of deposits, meaning 26.03.2018. The Supervisory Board of the Guarantee Fund may extend the deadline for paying out compensation under exceptional circumstances and with good reason, but not by more than 10 working days (Guarantee Fund Act § 41 (2)).

The paying out of compensation to investors should be completed within six months of the Guarantee Fund publishing an announcement in national newspapers of the date of suspension of deposits. The Supervisory Board of the Guarantee Fund may extend the deadline for paying out compensation under exceptional circumstances and with good reason, but not by more than 12 months.

### **In what order are the payments made?**

The guarantee fund, the receivers and the agent banks will work together to compensate deposits as quickly as possible. The guarantee fund has sufficient funds available to compensate all the deposits in full. We recommend that those people and businesses who only have demand deposits and related current accounts at Versobank AS and who could find themselves financially straitened be dealt with first.

### **What is the last date when it is possible to get compensation, meaning when does time run out to submit a claim?**

The time limit for depositors to submit claims is three years. Compensation can be claimed by depositors eight days after the date of suspension of deposits and the three-year time limit starts from that date. If the Supervisory Board of the Guarantee Fund extends the deadline for paying out compensation under exceptional circumstances and with good reason by up to 10 days, then the three-year time limit starts from the day after the extended deadline for paying out compensation (Guarantee Fund Act § 41 (2)).

The time limit for investors to submit claims is five years (Guarantee Fund Act § 60 (5)). Compensation can be claimed by investors after six months have passed since the Guarantee Fund published an announcement in national newspapers of the date of suspension of deposits. If the Supervisory Board of the Guarantee Fund extends the deadline for paying out compensation under exceptional circumstances and with good reason by up to 12 months, then the five-year time limit starts from the day after the extended deadline for paying out compensation.

### **What currency is the compensation paid in?**

Payments are made in euros. If the account was denominated in a currency other than that which the compensation is paid in, the exchange rate used is the daily rate of the European Central Bank on the date of suspension of deposits.

### **Are the costs of currency exchange compensated?**

Deposits denominated in a foreign currency are compensated in euros using the daily rate of the European Central Bank on the date of suspension of deposits (26.03.2018). The costs of changes in the exchange rate between the date the deposit was opened and the date of suspension of deposits are not compensated (Guarantee Fund Act § 40 (4)).

### **Is there a service fee for receiving the money?**

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The depositor must pay for compensation paid in cash or transfer at the rate in the price list of Swedbank or SEB Pank.

**Is it possible for the depositor to get their compensation partly as a transfer and partly in cash?**

That is not possible under the law as it stands. Under § 40 (1) of the Guarantee Fund Act, the compensation is paid out either as a transfer to a bank account nominated by the depositor or in cash at the request of the depositor.

**What happens if I received too much or too little in compensation?**

If compensation is paid on the deposit before the opinion of the depositor is received at an amount that does not correspond to the amount to be compensated, the Guarantee Fund pays out the remaining part within seven working days of the due date, or by the extended deadline if it has been extended, or requests the excess payment to be returned (Guarantee Fund Act § 38 (4)).

**If my deposit is seized, can I get compensation and if so when?**

The law states that deposits that have been seized are compensated after the decision or regulation of the court or other responsible body has come into force (Guarantee Fund Act § 40 (5)).

**What happens if the owner of the deposit has died? How can I as an inheritor get my money?**

Compensation is paid out against a valid certificate of inheritance and a personal identity document.

**Are the deposits of minors guaranteed? How does a minor child receive compensation?**

Yes the deposits of minor children are guaranteed. To receive the deposit compensation, a document confirming the legal right of representation of the parent or legal guardian and a personal identity document of the child if aged 7-17 or of the parent or other legal guardian should be presented.

**What should I do if I have recently changed my name, because of marriage, divorce, change of first name or some other reason?**

If you had not informed Versobank AS of your change of name, you will need to bring with you a personal identity document showing your new name.

**I live abroad, what should I do?**

Please see the answer to the question 'How is the compensation paid out?'

**During the time when I cannot access my deposits, I need to make a payment to the Tax and Customs Board. What should I do?**

Please contact the Tax and Customs Board with this question.

**From 01.01.2018 interest on the deposits of private individuals is subject to tax. Will the deposits of private individuals at Versobank AS be subject to income tax if the deposits are suspended?**

Please contact the Tax and Customs Board with this question and other questions about tax.

**Who should depositors and investors call with questions?**

Please contact:

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Telephone: +372 5679 8500

Email: [versobank@kpmg.ee](mailto:versobank@kpmg.ee)

Address: Versobank, Hallivanamehe 4, 11317 Tallinn, Eesti)