

Payout Dutch Deposit Guarantee Amsterdam Trade Bank, 2022

Factsheet, January 2024

On Friday 22 April 2022, Amsterdam Trade Bank (ATB) was declared bankrupt at its own request by the Amsterdam District Court. De Nederlandsche Bank (DNB) subsequently activated the Deposit Guarantee Scheme (DGS) for ATB.

ATB account holders could register with DNB starting on the third working day after the bankruptcy, providing an account number where DNB could disburse the funds protected by the Dutch Deposit Guarantee. Within a month of the bankruptcy, 95% (an amount of € 641 million) of the total guaranteed deposits had been paid out.

This factsheet provides insight into the operation of the DGS and the course of the DGS payout for ATB. It also outlines how we ensure that compensation is made available within the statutory payout period.

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The Dutch Deposit Guarantee

Depositors' money in accounts at Dutch banks is legally protected by the Dutch Deposit Guarantee. The deposit guarantee means account holders' money is safe up to € 100,000 per person, per bank.

Should a bank fail, DNB ensures that compensation is made available within the statutory payout period. The money used for this comes from the deposit guarantee fund (DGF) to which banks pay quarterly premiums since 2016. Account holders get

their money refunded quickly, and do not have to wait for the settlement of the estate of the failed bank. This protection can serve to prevent a bank run and strengthens the stability of the economy and contributes to sustainable prosperity in the Netherlands.

More information on the Dutch Deposit Guarantee is available at www.depositogarantie.nl.

Figure 1 The dual purpose of the deposit guarantee

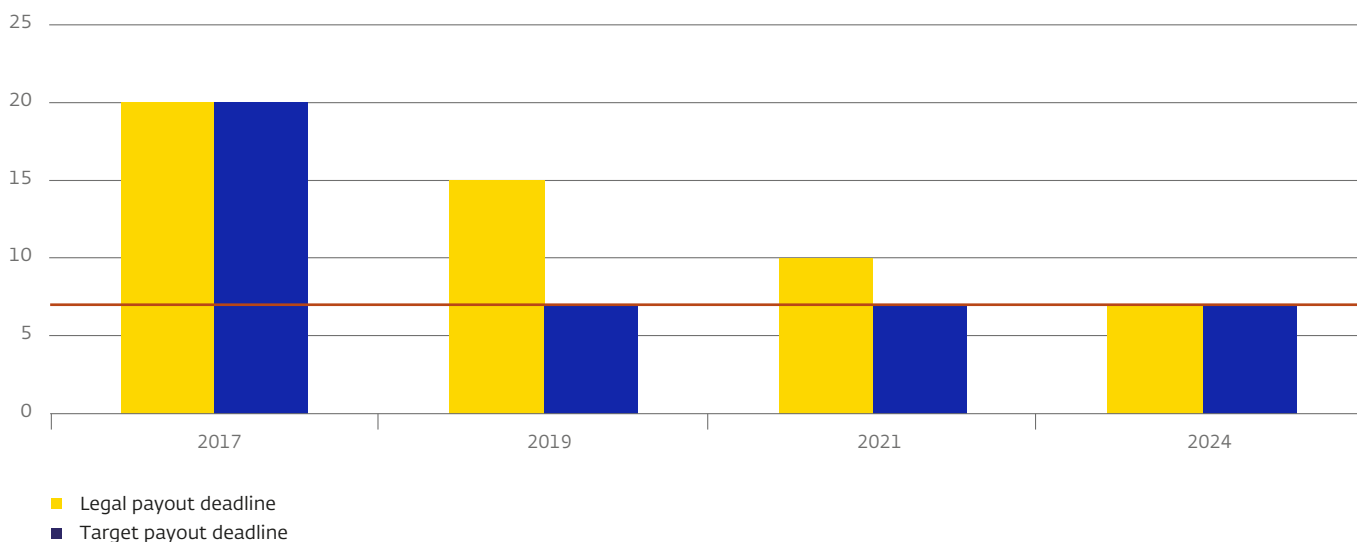


European DGS Directive strengthens deposit guarantee

Account holders at Dutch banks have been protected by the deposit guarantee since 1978. DNB administers the Dutch Deposit Guarantee. In 1994, the European Union (EU) developed the first Directive for deposit guarantee schemes (Directive 2014/19/EU, the DGS Directive). In the Netherlands, the Directive has been implemented in the Financial Supervision Act (*Wet op het financieel toezicht – Wft*) and the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Financial Supervision Act (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft – Bbpm*).

During the 2008-2009 financial crisis, the DGS was activated for ICESAVE and DSB Bank. Following the revision of the DGS Directive in 2014, we worked intensively to strengthen the deposit guarantee. The main changes were the (incremental) reduction of the statutory payout period to seven working days by 2024 (see Figure 2) and the creation of a fund to finance the deposit guarantee (the Deposit Guarantee Fund, DGF).

Figure 2 The incremental reduction of the payout period (in working days)



The bankruptcy of ATB

ATB had a Dutch banking licence since 1994, and attracted deposits from customers in the Netherlands and Germany in particular. At the time of the bankruptcy, ATB had over 23,000 active account holders; € 673 million of their deposits were covered by the Dutch Deposit Guarantee. Most of these account holders lived in the Netherlands, and a smaller proportion in Germany (more than 5,500). The bank ran into trouble after Russia's invasion of

Ukraine. In response to this invasion, the EU, the UK and the US imposed sanctions on Russia and Russia-affiliated individuals and entities. The consequences of these sanctions hit ATB both directly and indirectly, causing serious disruption to its operations. As a result, it decided to wind up its banking business. When a full wind-up proved impossible, ATB decided to file for bankruptcy on 22 April 2022.

Figure 3 Number of account holders and guaranteed amounts at ATB



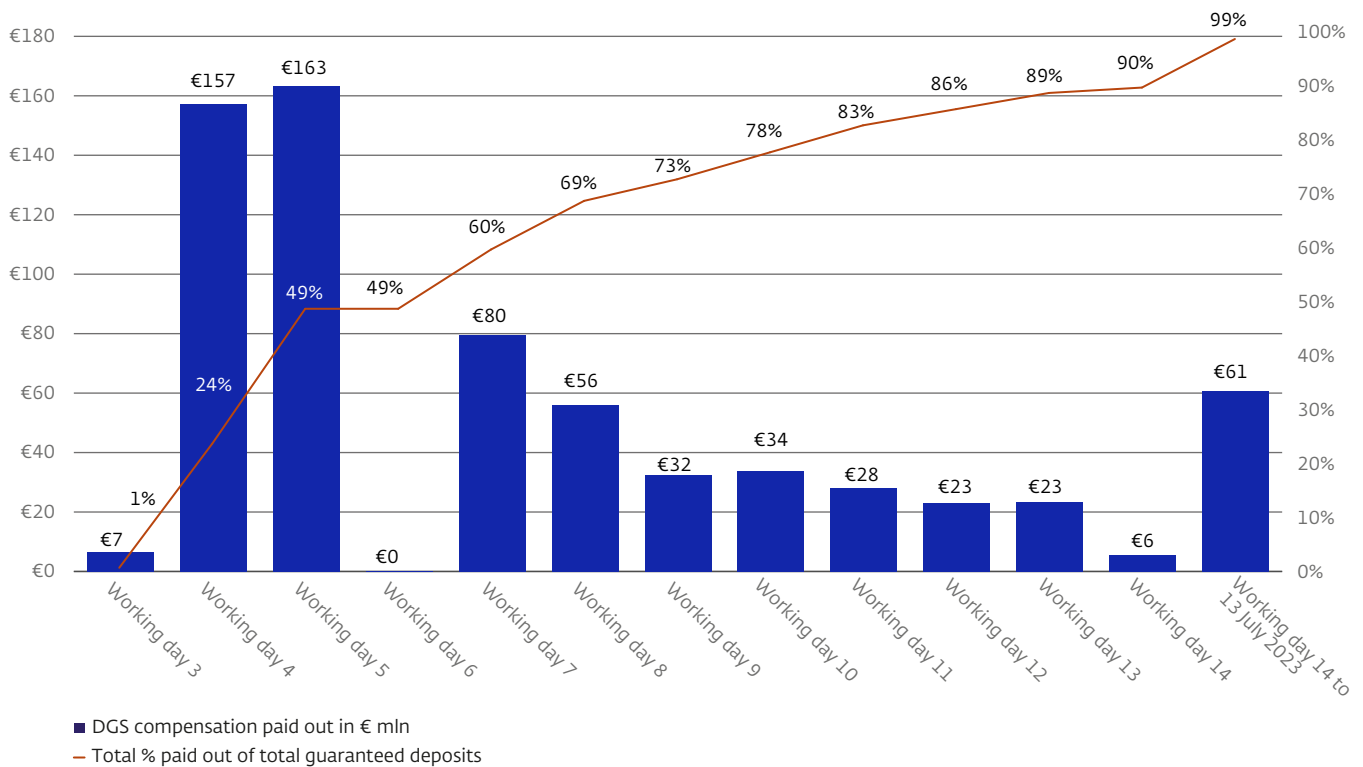
The DGS payout for ATB in figures

DNB and the DGF made the compensation available to ATB account holders within three working days of the bankruptcy. From 28 April, the third working day after ATB's bankruptcy, account holders could register with us, indicating the contra account number where they wished to receive the payout. This was within the statutory payout period of 10 working days, which applied in 2022.

By early July 2022, almost € 670 million, or 99% of the guaranteed deposits at ATB, had been paid out to 80% of the protected account holders (see Figure 4 for the progress of payouts up to 13 July 2023).

Alongside regular accounts, ATB had a file of "dormant accounts", consisting of inactive accounts with mostly small balances. Over 31,000 account holders held such dormant accounts with a total value of nearly € 2 million in protected deposits. Read more about this under "*Special circumstances DGS payout ATB*".

Figure 4 Progress of DGS payout for ATB



Prepared for a payout period of seven working days

DNB expends effort every day to be prepared for a timely and correct DGS payout. The performance of tasks of the Dutch Deposit Guarantee consists of six sub-tasks¹ (see Figure 5).

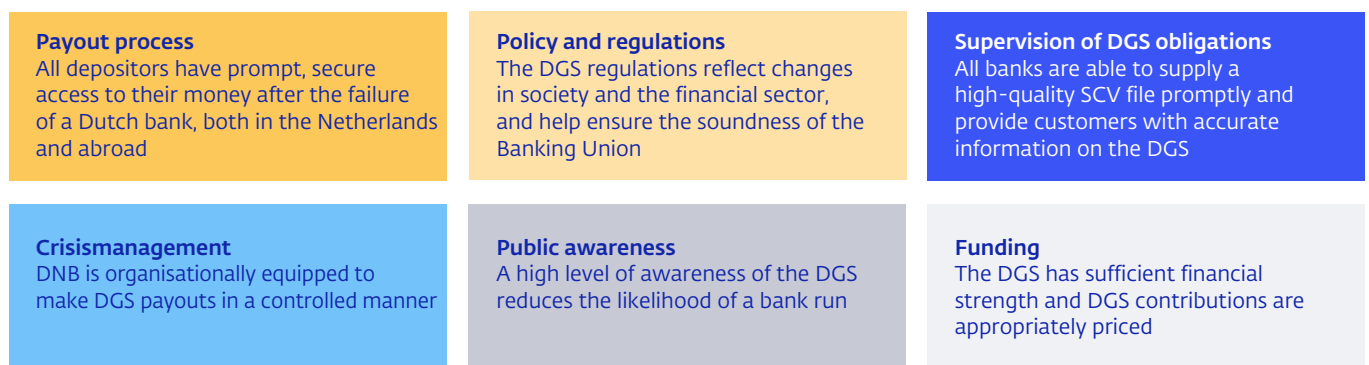
From 2024, a statutory payout period of seven working days applies

Starting in 2015, the statutory payout period² has been gradually reduced from 20 to seven working (effective as from 1 January 2024). DNB has developed a DGS payout application to ensure compliance with this requirement. Account holders can log in to a DGS payout portal to provide their contra account for compensation. Their data is then linked to the customer information we have received from the failed bank: the Single Customer View, SCV (*individueel klantbeeld – IKB*). We introduced a standard for the SCV in 2017 to ensure quick and highly reliable transfer of bank records following a bank failure.

This standard has compelled banks to improve their records and the quality of their customer data. Banks are required to keep up-to-date and accurate records of customer data so that we can make timely and accurate DGS payouts in the event of a failure.

Furthermore, banks contribute to the Deposit Guarantee Fund (DGF) every quarter. In 2024, this fund will reach its target size of 0.8% (around € 4.8 billion) of deposits covered by the DGS in the Netherlands. In addition, we ensure that the internal DGS payout organisation is as thoroughly prepared as possible. Preparedness plans are in place and we regularly conduct crisis simulations. We regularly organise DGS stress tests to assess whether staff, systems and processes are adequately prepared for an actual DGS payout. This is also a requirement under the DGS Directive.

Figure 5 The six sub-tasks of the Deposit Guarantee



- 1 More information can be found in "Vooruitblik en strategie Nederlandse Depositogarantie 2021-2024" on the DNB website (currently only available in Dutch).
- 2 The period within which DNB must ensure that the DGS compensation is available, in short, calculated from the activation of the DGS. The period within which the account holder actually receives the compensation is dependent on the moment when the account holder provides a contra account for compensation. There may also be situations where laws and regulations allow us to suspend a payout or otherwise take longer to make the DGS compensation available.

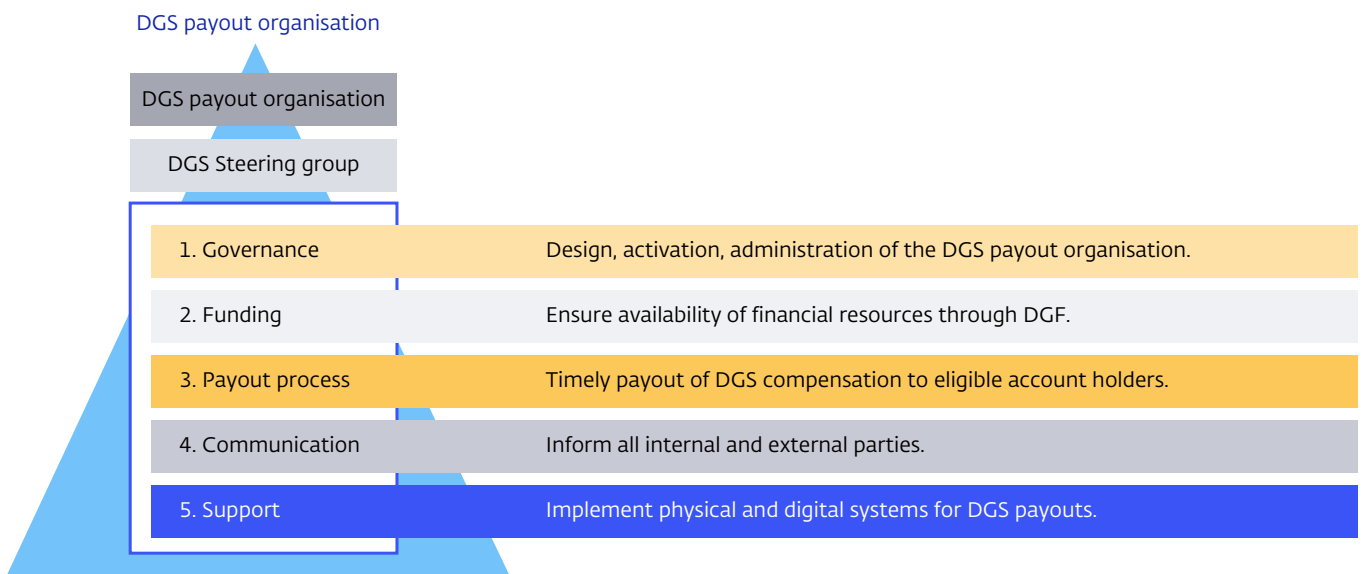
The DGS payout organisation

To enable a DGS payout within seven working days, it is essential that the DGS payout organisation is activated quickly and functions properly. The preparedness plans detail the DGS payout organisation, activities and processes. The DGS payout organisation consists of several workflows in which DNB staff from multiple divisions participate, including Communications, Data and IT, Internal Operations and Legal Affairs. Together, they have one goal: to pay out the customers of a failed bank as quickly and accurately as possible.

More than 200 employees were involved in the DGS payout for ATB. In addition, during ATB's bankruptcy, we worked closely with external parties such as a payment service provider, a mail processing company and ATB's trustees and employees. This cooperation proved very constructive, contributing to a smooth and quick payout to ATB's account holders.

The DGF also played an important role. At our request, the DGF made €700 million available for the DGS payout within a single day.

Figure 6 Overview of the DGS payout organisation



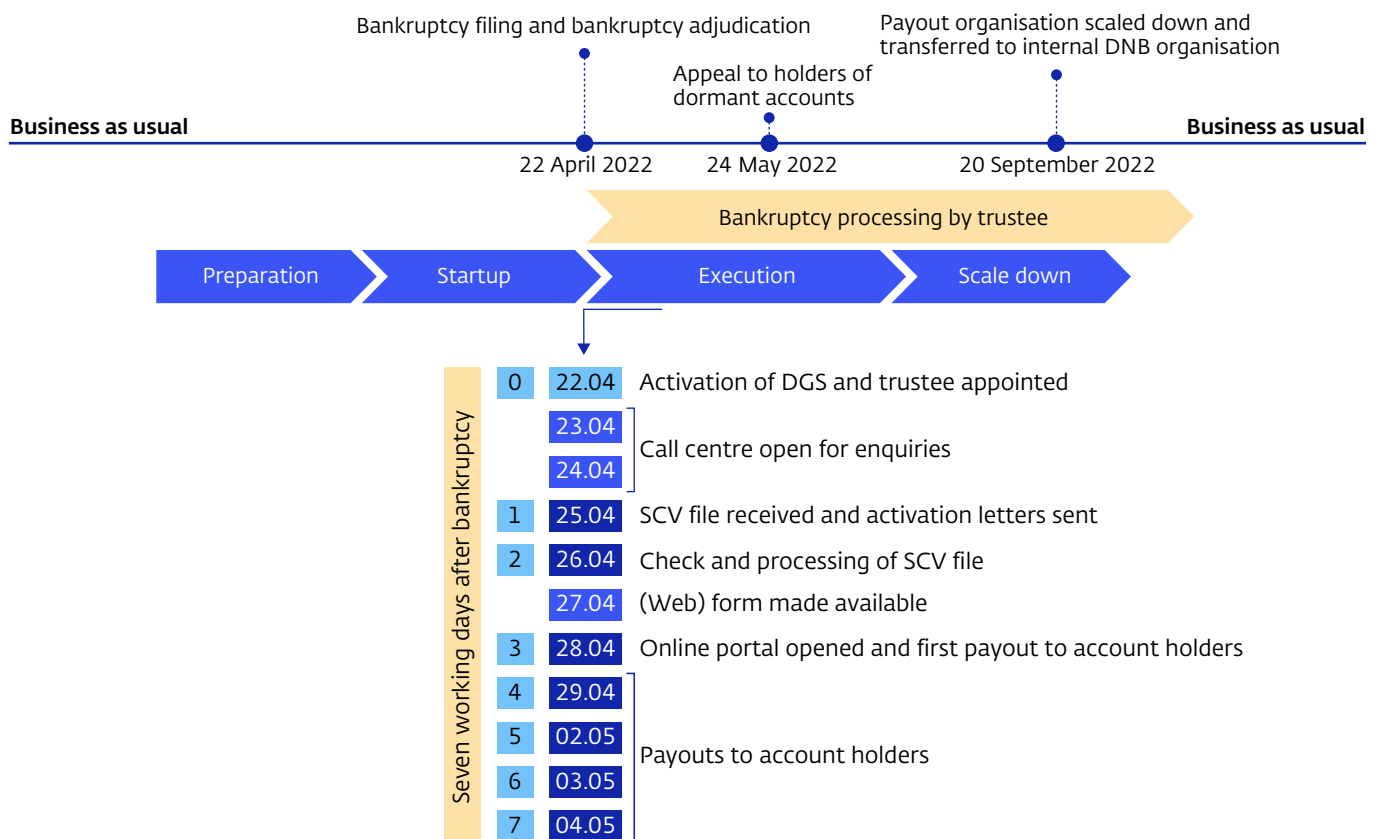
The DGS payout process for ATB

The payout process for ATB consisted of four phases: prepare, activate, execute and scale down (see Figure 7). The first three phases were completed during the period from March 2022 to September 2022. Thereafter, the DGS payout organisation for ATB was scaled down and the remaining payout work was transferred to the regular work of the team responsible for DGS.

The initial days of the execution phase are crucial for a DGS payout. On the day of ATB's bankruptcy,

we issued a press release and extended our call centre opening hours. In addition, the activation of the DGS was formally announced in the Government Gazette and several national newspapers. In the weekend after the bankruptcy, our call centre was available to answer questions related to the bankruptcy and the DGS payout. The call centre team remained available daily until 19:00 in the initial period thereafter. An average of 10 call centre staff were on duty to answer questions every day during this initial phase.

Figure 7 Overview of the DGS payout process for ATB

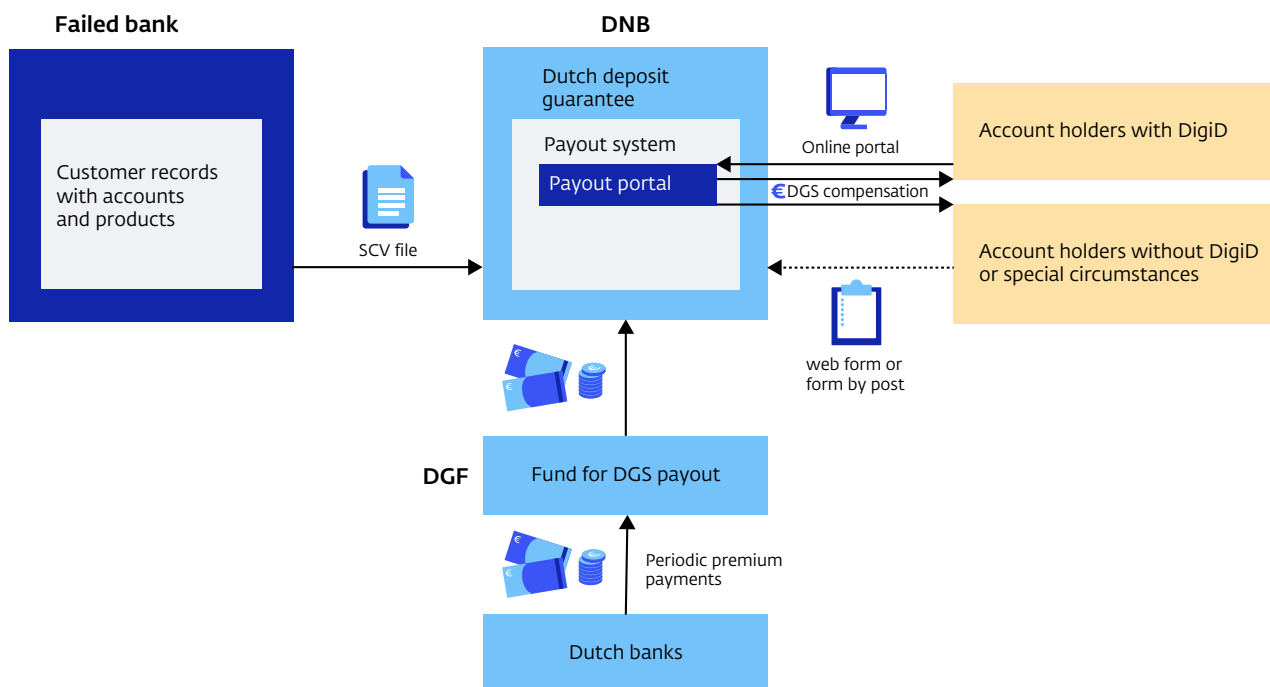


On Monday, 25 April we received ATB's SCV file, which we checked and processed in the DGS payout application. Letters were also sent to ATB account holders that day. Customers residing outside the Netherlands received a form with the letter to communicate their contra account to us. They could upload these forms online starting on Wednesday, 27 April. On Thursday, 28 April we issued a press release announcing the opening of the DGS payout portal. Account holders resident in the Netherlands could log in to this portal using their DigiD to view their details, specify a contra account and initiate the payout of

their DGS compensation. The claim was automatically processed and disbursed in the payout application. The first account holders received their compensation in their accounts the very same day.

A third press release followed on 24 May, providing information on the progress of the DGS payout (95% of guaranteed deposits had been paid out by then) and containing an initial appeal to holders of dormant accounts. The final press release followed on 1 July, in which we issued another, final appeal for account holders to come forward.

Figure 8 Outline of Dutch Deposit Guarantee payout system



Special circumstances DGS payout ATB

During the payout process, we paid particular attention to account holders who could not use the online DGS payout portal and thus had to indicate their contra account by other means. This was the case for customers with little or no digital skills and customers who do not have a DigiD, such as German customers, and holders of dormant accounts. In addition, relatives of deceased account holders came forward and there were requests for reimbursement of temporarily high balances.

German account holders

German customers of ATB could use a form to provide an account number where we could transfer the compensation. They could submit this form by post or online. The forms were then processed by DGS staff and the compensation disbursed through the DGS payout application.

Dormant accounts

ATB's records showed that there were accounts that the bank had closed in the period prior to the bankruptcy on 22 April 2022. These accounts were no longer active, according to the bank's records. These accounts numbered more than 23,000, and these were in addition to accounts held by active customers. Many of these accounts still had a small credit balance.

We treated these accounts as dormant accounts. In principle, the same conditions apply to these accounts as to the other accounts, such as the maximum compensation amount of € 100,000 per person. There are, however, two differences.

First, DNB may delay the payout for dormant accounts because a longer payout period is legally allowed for these accounts. Second, dormant accounts are not eligible for compensation if the cost associated with disbursement exceeds the compensation amount itself. In the case of ATB therefore a € 5 minimum payout applied.

These dormant accounts were not included in the SCV file and were provided by ATB separately. As a result, these accounts could not be processed automatically and the holders of these accounts could not access the online DGS payout portal. Payouts of dormant accounts thus followed a similar process as for German account holders, specifically by submitting a form.

Deceased account holders

DNB also paid particular attention to DGS compensation for those entitled to the deposits of deceased customers. German inheritance law governed who was entitled to the balances in relevant accounts of deceased German customers.

Temporarily high balances

Finally, DNB dealt with a number of applications for compensation of temporarily high balances. Under the DGS Directive and its implementation in the Netherlands, some ATB account holders were entitled to additional protection of up to € 500,000 per person on top of the usual € 100,000. This additional protection applied to funds held in an account temporarily and directly related to the purchase or sale of a private residential property.

Consequences DGS payout ATB

Impact on public awareness of Dutch Deposit Guarantee

An important purpose of the deposit guarantee is to protect consumers should things go wrong with a bank. By providing this security, the deposit guarantee contributes to trust in the banking sector and financial stability. In September 2022, following previous research, DNB commissioned a survey on the level of awareness of the deposit guarantee among the Dutch public. This survey also measured the potential effect of the DGS payout for ATB on public awareness of the deposit guarantee. The results revealed that a greater percentage of Dutch people were familiar with the Dutch Deposit Guarantee or how it works than in previous years. This may not be directly attributable to ATB's bankruptcy, however. Indeed, DNB and banks had started to communicate more about the Dutch Deposit Guarantee in other ways in recent years.

Impact on the deposit guarantee fund

When paying out compensation, the DGF is subrogated to the rights of the account holder. This means that the account holder's claim against the bank is transferred to the DGF. Consequently, the DGF had a claim against ATB's assets. Account holders who have not (yet) claimed a payout from DNB or who had a higher amount in their account(s) than the maximum compensation of € 100,000 also have a claim against ATB's assets. The DGF is in close contact with ATB's bankruptcy trustees. Meanwhile, the DGF has recovered the full amount paid out (so far) by the DGS through interim distributions from the failed bank's assets.

Lessons for the future

Improvements to the DGS payout process

During the periodic round of amendments to the DGS policy rules for banks in late 2022, DNB clarified that banks should include dormant accounts when compiling the SCV file to ensure more efficient payouts to holders of dormant accounts.

The DGS payout for ATB also demonstrated the importance of expanding the DGS payout portal to include other login options so that account holders without DigiD also have access. In 2021, DNB launched a tender for a digital identity verification service. This functionality was still under development at the time of ATB's bankruptcy.

The DGS payout for ATB also demonstrated the importance of a robust and reliable IT application for handling requests for special DGS payouts, such as reimbursement of deposits of deceased account holders or temporarily high balances. We have therefore launched a project to further automate the processes and systems for handling special DGS payouts.

Public awareness of the Dutch Deposit Guarantee

Public awareness of the Dutch Deposit Guarantee remains essential to ensure its intended stabilising effect. The more people are aware of the DGS, the less likelihood there is of a bank run if an institution is or appears to be in trouble. Otherwise, large numbers of account holders may try to withdraw their money, and even a healthy bank can get into trouble if confronted with a bank run. We therefore aim to improve public awareness of the Dutch Deposit Guarantee. In 2021, DNB, together with the banking sector, started a public awareness campaign about

the Dutch Deposit Guarantee. Surveys show that public awareness of the Dutch Deposit Guarantee has increased incrementally from 54% in 2017 to 65% in 2022. We hope to achieve public awareness of 70% by the end of 2024. Working with the sector, we will therefore continue the public awareness campaign, integrating the lessons from the DGS payout for ATB.

Finally, the DGS payout for ATB highlighted the importance of thorough preparation. We are continuing to improve the processes and systems for a DGS payout, and crisis simulations are ongoing.

