

NJORD LATVIA: The first meeting of creditors of the insolvent PNB bank took place

On 12 March 2020, the first meeting of creditors of the insolvent PNB bank was held, at which decisions were made determining the further course of the insolvency proceedings.

The meeting of creditors was attended by representatives of 61 creditors of an insolvent bank. A restriction on participation in the meeting was indicated in the announcement of the meeting: only those creditors who represented at least 1 percent of the total amount of creditors' claims could participate. Dmitri Kolesnikov, the partner of NJORD Law Firm, participated in the meeting representing a client - a bank's creditor.

The meeting of creditors approved, among other, the plan of the insolvency proceedings of the bank, the report on activities of the administrator of the Bank, the procedure for the alienation of assets (property), expenses of the insolvency proceedings and elected a committee of creditors consisting of 8 persons.

According to the forecasts of the administrator it is possible to receive approximately from 239 up to 355 million Euros within 5 years as a result of the implementation of the plan of sales of the assets of an insolvent bank.

In accordance with the Law of the Republic of Latvia "On Credit Institutions", after covering the expenses of the insolvency proceedings, the remaining funds are distributed for the satisfaction of the principal sums (without interest) of the creditors' claims according to rounds provided for in the law. Claims of each subsequent round of creditors are satisfied only after full satisfaction of the previous round. If there is not enough money to satisfy all claims of one round, then such claims are satisfied proportionally.

First round of creditors includes claims on payments to clients (depositors) of the bank in the amount of state-guaranteed compensation. Considering that more than 90% of the clients of the insolvent PNB bank received state-guaranteed compensation from the State Guarantee Fund, the Latvian Financial and Capital Market Commission (FCTC) acting on behalf of the State Guarantee Fund presented at the meeting of creditors' claims of this round of creditors worth approximately 255 million Euros.

The second round of creditors, which includes those former clients of the bank who, at the time of insolvency of the bank, had an amount that exceeded the state-guaranteed compensation amount in their accounts and who confirmed (for legal entities) that they meet the criteria of a microenterprise, small or medium-sized enterprise for the purpose of the law on restoration and regulation of credit institutions and investment brokerage companies. In the second round, the total amount of creditors' claims is approximately 75 million Euros.

It should be considered that recognition of a creditor's claim and even the availability of funds for disbursement in a particular round does not trigger immediate pay-out. From the information heard at the meeting, soon would be approved a methodology for the fulfilments of the Anti-Money Laundering requirements according to the money laundering and terrorism and proliferation financing risk inherent to the activity of PNB bank. The completed methodology must be approved by the Finance and Capital Market Commission. A decision for pay-out can be made only after the creditor's claim is checked based on the approved AML methodology.

NJORD Law Firm is ready to provide legal assistance to bank's creditors in insolvency proceedings.

If you have any questions or need additional consultation in connection with the above information, please contact the partners of the NJORD Law Firm Riga office – Attorney-at-law Dmitri Kolesnikov (t. +371 67 313 315, dk@njordlaw.lv) and Attorney-at-law Dmitri Nikolaenko (t. +371 67 313 315, dn@njordlaw.lv).



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