

## **The AREB will create a 'good bank' with legitimate assets and liabilities segregated from BPA**

*The agency wants to sell the new bank before the year ends*

The Board of the **Agency for the Resolution of Financial Entities (AREB)**, by its acronym in Catalan), building on the objectives and principles of the articles 3 and 4 of the *Law 8/2015 of April 2<sup>nd</sup> of urgent measures to implement mechanisms of restructuring and resolution of financial institutions*, adopted the Resolution Plan for Banca Privada d'Andorra, SA (BPA) at the meeting held on June 11<sup>th</sup>, 2015. This document follows the international standards for elaboration of resolution plans and therefore consists of a public part and a confidential part.

The substance of this Resolution Plan lies on the segregation of all assets and liabilities of BPA considered legitimate after a strict review process to each client carried out by independent experts on the prevention of money laundering and terrorist financing and monitored by Andorran authorities. This review has also been applied to the wealth management business of BPA.

In this sense, it is necessary to inform that BPA is not the financial institution that will retain the assets and liabilities considered suitable.

These assets and liabilities will be transferred to a suitable bridge institution, a new bank, under the assessment referred to in Article 5 of Law 8/2015. This bank, isolated and immunized from any deficiencies identified in the previous administration of BPA as indicated by FinCEN on its note of finding published on March 10, 2015, will not inherit any of the risks associated with such deficiencies.

The Plan established by the AREB determines that customers' assets and liabilities will be transferred once the review process of each client reaches adequate level of completion. Therefore, to all intents and purposes, the new banking entity will be a so-called 'good bank'. This process will be accompanied by the implementation in the 'good bank' of a prevention of money laundering and terrorist financing policy in line with the standards that are being applied to review current BPA customers.

This bank will be constituted by AREB and have a new banking license. In this sense, AREB will begin the process of constitution of the new entity immediately.

The Resolution Plan provides that this entity, the 'good bank', remains capitalized by using the instruments provided by Law 8/2015.

The new bank will be brought under the responsibility of AREB, being its operations managed and controlled by this authority. The supervision of any Andorran banking

entity would remain INAF's responsibility. The main objectives of AREB are, in this sense, working to protect the interests of clients of BPA and ensuring the stability and value of the institution.

Completing this strict process will allow the new entity to establish all procedures (including the transfer of BPA's staff in accordance with the provisions of Law 8/2015) necessary to operate with counterparties and under standard industry conditions.

The ultimate goal of the Andorran authorities is to normalize the status of suitable and legitimate clients within a framework of financial stability that should allow AREB to properly and efficiently execute the BPA resolution plan.

AREB works with the aim of completing the implementation of the Resolution Plan and proceed with the sale of the 'good bank' before the end of the year.

The sale process of the new bank will be conducted through an auction to ensure the best competition and competitiveness, in order to maximize the value of the entity.

Finally, BPA's Resolution Plan has been submitted to both the Minister of Finance and the INAF. Besides, this morning the President of the AREB requested his presence before the Andorran Parliament (Consell General) to present BPA's resolution plan as established by Law 8/2015.