



MEDIA RELEASE

BCTL Clarifies the Position of National Insurance Timor-Leste, S.A.

Dili, 13 September 2018

Banco Central de Timor-Leste ("BCTL") has received a copy of a document dated 9 September 2018 sent by National Insurance Timor-Leste SA ("NITL") to its clients and business partners.

That document makes several serious allegations and insinuations against BCTL, which BCTL denies and intends to defend vigorously. While it is inappropriate for BCTL to argue the merits of the dispute in a public forum while related matters are before the courts, the BCTL wishes to clarify several issues for the benefit of NITL stakeholders relating to NITL and its operations:

- BCTL received a complaint in December 2016 about the manner in which NITL was conducting its business and undertook a due process to investigate the allegations.
- BCTL's investigation uncovered a number of serious procedural and financial irregularities in violation of the Insurance Law, including the misappropriation of funds, committed by senior officials of the company.
- Having been presented with the findings, NITL took no steps to regularise the situation.
- As a result, on 8 November 2017 the Governing Board of BCTL resolved to impose administrative sanctions including imposing fines on NITL, its former and current directors and management as prescribed in the Insurance Law, banning certain persons from holding office in an insurance company, temporary suspension of NITL's insurance licence, and dismissal of NITL's Board of Directors.
- In order to inform NITL's policyholders and other affected parties about the sanctions that had been applied, the BCTL announced its decision in a Media Release dated 8 November 2017, which is available on the BCTL website¹ and published in the *Jornal da República* on 9 February 2018².
- BCTL provided the sanctioned parties with the opportunity to appeal its decision, including granting extensions of time at the request of the affected parties. The appeal process is currently being handled by the courts.
- NITL was given three months to restructure its shareholding and appoint new persons to act as directors. NITL did not fulfil this requirement. Instead they submitted an application that included the names of those who were banned in the sanction. BCTL therefore used its regulatory authority to appoint an Interim Manager for three months from 18 May 2018 whose primary role was to protect the interests of NITL's

¹ https://www.bancocentral.tl/uploads/documentos/documento_1517891104_3802.pdf

² http://www.mj.gov.tl/jornal/public/docs/2018/serie_2/SERIE_II_NO_6_pmd.pdf

policyholders. Because NITL has not cooperated with the interim manager, BCTL has extended the suspension of its licence and the term of the Interim Manager.

- On 27 December 2017 BCTL submitted a file to the Prosecutor General with information concerning suspected fraud and money laundering offences.

BCTL wishes to emphasise that all its actions have been undertaken in strict compliance with the provisions of the Insurance Law. As the regulator of the insurance industry, BCTL has worked to promote safe and sound insurance industry practices and to protect the interests of policyholders.

In relation to its intention to exit the insurance market, NITL has neither notified BCTL of its intention to cease doing business in Timor-Leste, nor has it received authority to do so, as required by Article 55 of the Insurance Law. This approval process is required to ensure the interests of existing policyholders are protected.

The BCTL's appointment of an Interim Manager of NITL indicates that, far from being a "hostile takeover", the BCTL is committed to the ongoing provision of insurance services in Timor-Leste by NITL, subject to NITL making certain changes to its Shareholders, Directors and Management and to realign certain financial arrangements with best practice and the requirements of the Insurance Law.

BCTL wishes to advise that all official communications from NITL should be signed by the Interim Manager.

Enquiries concerning this Media Release should be addressed to the Interim Manager of NITL, Mr Rafael Borges at BCTL.Media@bancocentral.tl.