

# **INFORMATION ON THE GUARANTEE SYSTEM OF THE SECURITIES BROKERS GUARANTEE FUND**

The Securities Brokers Guarantee Fund (hereinafter referred to as "SBGF"), in accordance with Section 128 et seq. of Act No. 256/2004 Coll., on Capital Market Undertakings, as subsequently amended (hereinafter referred to as the "Act"), provides for a guarantee scheme used to make compensation payments to the clients of a securities broker that is unable to fulfil its debts to its clients.

UniCredit Bank Czech Republic and Slovakia, a.s., as a securities broker, pays into SBGF with a contribution calculated in accordance with the provisions of Section 129, paragraph 1 of the Act.

SBGF is a legal entity. Its statutory body is a five-member management board. The chairman, vice-chairman and other members of the management board of SBGF are appointed and recalled by the Minister of Finance.

Compensation from SBGF is paid to the clients of securities brokers under the following conditions set forth by the Act:

Compensation from SBGF will be provided to the clients of a securities broker in the event that SBGF receives a written notification from the Czech National Bank stating that the securities broker, due to its financial situation, is unable to fulfil its debts consisting in releasing assets to clients and the securities broker is not likely to fulfil these debts within one year. Compensation also will be paid in the event that a court has issued a decision on the bankruptcy of the securities broker or another decision in result of which the clients cannot effectively demand that the securities broker release their assets.

The compensation from SBGF is calculated by summing the values of all parts of the client's assets that could not be released for reasons directly related to the financial situation of the securities broker, including its ownership interest in the property/assets co-owned by other clients, with the exception of the value of funds entrusted to a securities broker that is a bank or the subsidiary of a foreign bank and that such securities broker maintains on accounts insured under the Banking Act. The resulting amount shall be reduced by the value of the client's debts to the securities broker that are payable as of the day on which SBGF received the written notification from the Czech National Bank in accordance with the previous paragraph. The compensation is calculated using the real values of the investment instruments valid as of the day on which SBGF receives the notification from the Czech National Bank in accordance with the previous paragraph. When making the calculation, SBGF may also consider the contractual arrangements between the securities broker and the client, if they are usual, particularly the actually credited interest or other incomes that the client is entitled to as of the day on which SBGF received the notification from the Czech National Bank in accordance with the previous paragraph.

For the purposes of calculating the amount of the compensation from SBGF, the client's assets are understood as cash and financial instruments belonging to a client held by a securities broker in order to provide an investment service to that client, the client's assets do not cover deposits under the law regulating the activity of banks, which accounted for by a securities broker, which is a bank,. In this sense, the client's assets do not include cash deposits in the accounting of a securities broker that is a bank or a subsidiary of a foreign bank and governed by the Banking Act.

The compensation provided to the client shall amount to 90% of the thus calculated amount; however, no more than the Czech crown equivalent of EUR 20,000 shall be paid to any one customer of any one securities broker.

In accordance with Section 130, paragraph 4 of the Act, the following entities are not entitled to compensation from SBGF:

- a) Czech Consolidation Agency;
- b) municipal administrations;
- c) a person who in the course of 3 years prior to the notification of SBGF under the following paragraph:
  - 1. carried out an audit or participated in auditing the securities broker whose clients should be paid the compensation from SBGF;
  - 2. was a member of a management body of the securities broker whose clients should be paid the compensation from SBGF;
  - 3. was a person with a qualified participation in the securities broker whose clients should be paid the compensation from SBGF;
  - 4. was a close person, as defined in the Civil Code, to a person under points 1 to 3;
  - 5. was a person that belonged to the same business group as the securities broker whose clients should be paid the compensation from SBGF;
  - 6. carried out an audit or participated in auditing an entity that belonged to the same business group as the securities broker whose clients should be paid the compensation from SBGF;
  - 7. was a member of the management body of an entity that belonged to the same business group as the securities broker whose clients should be paid the compensation from SBGF;
- d) an entity in which the securities broker whose clients should be paid the compensation from SBGF or a person or entity with a qualified participation in this securities broker has, or had at any time during the 12 months immediately prior to the day on which the notification on its inability to fulfil its debts to the clients was made, more than a 50% share in the registered capital or voting rights;
- e) a person or entity that, in relation to legitimising the proceeds of crime, entrusted the funds received from criminal activities to the securities broker whose clients should be paid the compensation from SBGF;
- f) a person or entity that committed a crime causing the inability of the securities broker whose clients should be paid the compensation from SBGF to fulfil its debts to the clients
- g) a participant of the association according to Section 829 of Act No. 40/1964 Sb., as amended by Act No. 509/1991 Sb., or a companion of a company according to Section 2719 of the Civil Code, which was not communicated to an investment firm to be a participant of an association or a member of the company, in a demonstrable manner and before the decision on the insolvency of an investment firm or by a notification according to subsection of securities broker to the Czech National Bank was made.

SBGF, in accord with the Czech National Bank, shall publish a notification without undue delay that shall contain:

- (a) the fact that the securities broker is unable to fulfil its debts;
- (b) the place, manner, and period for registering claims and beginning the payments of compensation from SBGF;
- (c) any other circumstances relating to registering the claims. The period for registering the claims may not be less than 5 months from the publication of the notification under the preceding sentence.

Compensation from SBGF shall be paid within 3 months of the verification of the registered claim and calculation of the amount of such compensation at the latest. In exceptional cases, at the request of SBGF, the Czech National Bank may extend the time limit by no more than 3 months.

SBGF shall suspend compensation payments for the assets of a client where it is apparent from a criminal proceeding that these may be the funds of person or entity that, in relation to legitimising the proceeds of crime, entrusted the funds received from criminal activities to the securities broker whose clients should be paid the compensation from SBGF. SBGF, furthermore, shall suspend compensation payments to a person suspected of committing a crime that caused the securities broker's inability to fulfil its debts to the clients for the duration of the criminal proceeding in which this person is charged.

The client's right to receive compensation from SBGF shall lapse upon the expiry of 5 years from the date when the publication of the facts set out in Section 130 paragraph 2 of the Act. If the client during this period registered his claim for compensation under Section 130 paragraph 2 letter b) of the Act, the period shall not end earlier than three months from the date of receipt of application by SBGF.

Bratislava, 31th August 2018