

Information on the Protection of Clients through the Investment Guarantee Fund

The company Wealth Effect Management o.c.p., a.s., as a securities broker pursuant to Act no. 566/2001 Coll. on securities and investment services and on amendment and supplementation of certain acts (hereinafter referred to as “ZoCP”), is an entity participating in the protection of clients through the Investment Guarantee Fund.

Article I.

The Purpose of the Investment Guarantee Fund

1. The Investment Guarantee Fund (hereinafter referred to as “fund”) is a legal entity that is registered in the Commercial Register. The fund collects financial contributions of securities brokers and branches of foreign securities brokers, asset management companies and branches of foreign asset management companies to provide compensation for unavailable client assets received by the securities broker or foreign securities broker, asset management company or foreign asset management company to provide an investment service and that disposes of the funds received pursuant to the ZoCP.
2. The fund, together with the Deposit Protection Fund, represents a comprehensive system of client protection in investing on the money and capital market in the Slovak Republic. The fund is an entity supervised by the National Bank of Slovakia (hereinafter referred to as “NBS”). Its activity and financial performance are subject to strict rules governed by generally binding legal regulations.
3. Every securities broker, to whom the NBS has granted an authorization to provide investment services, is obliged, pursuant to the relevant provisions of the ZoCP, to participate in the protection of clients through the fund and to pay contributions for this purpose.

Article II.

Client Assets

1. Client assets are defined in the provision § 81 of the ZoCP. In order to accurately define the financial resources falling under protection through the Investment Guarantee Fund, it is necessary to provide an exact definition of client assets.
2. Pursuant to the ZoCP, the client assets mean client’s funds and financial instruments entrusted to a securities broker in connection with the performance of an investment service or ancillary services under § 6 par. 2 point a) of the ZoCP, including the financial instruments and funds obtained for these values, if the client is:
 - a) a natural person, including a self-employed person,
 - b) a foundation, a non-investment fund, a non-profit organization providing services of general interest, an association of citizens or a community of owners of apartments and non-residential premises,
 - c) a legal entity not specified under point b), except for
 - i. a bank, an insurance company, a supplementary pension insurance company, an asset management company including assets in a mutual fund, a pension fund management company including assets in a pension asset fund, a securities broker who is not a bank, a central depository, a stock exchange, a commodity exchange, a post office, a legal entity operating a lottery or other similar games, the Export-Import Bank of the Slovak Republic,
 - ii. a Slovak legal entity not listed under point i. or a foreign legal entity, which has at least partially equal or similar subject of activity to any of the legal entities listed under point i.,
 - iii. a legal entity not listed under point i. or ii., which, pursuant to a special act, must have had audited its financial statements,
 - iv. a state, a state budget organization, a state contributory organization, a state fund, a municipality, a higher territorial unit and public authorities,
 - v. a legal entity established by law, to which points i. to iv. do not apply,

- vi. a legal entity that controls a securities broker or a foreign securities broker or that is controlled pursuant to § 138 of the ZoCP by a securities broker or a foreign securities broker, at which or at branch of which the client assets are maintained.
- 3. As client assets under paragraph 2 shall also be considered:
 - a) common client assets, which is, according to the records made by a securities broker or a foreign securities broker, prior to the date when the client assets became unavailable pursuant to § 82 par. 1 ZoCP, maintained for multiple clients with a range of data on each client being at least pursuant to § 81 section 5 point a) of the ZoCP,
 - b) a notarial custody deposited with a securities broker or with a foreign securities broker, if the authorized recipient of financial instruments or funds from this custody is or is to be a person whose client assets are protected under the ZoCP and if prior to the date, when the client assets became unavailable pursuant to § 82 section. 1 of the ZoCP, a notary who maintains such notarial custody, delivered a written notification to a relevant securities broker or to a branch of a foreign securities broker containing data on eligible recipients at least to the extent under §81 section 5 point a) of the ZoCP.
- 4. Client assets are not client's funds received by a securities broker or a branch of a foreign securities broker and held in accounts protected under a special act.
- 5. As protected client assets are not considered the following:
 - a) client's assets, which according to the records made by a securities broker or a branch of a foreign securities broker, prior to the date when the client's assets became unavailable under § 82 par. 1 of the ZoCP, are not maintained for the client at least to the extent of the following data on the client:
 - i. first name, surname, personal identification number or date of birth and permanent residence of a client in case of a natural person,
 - ii. name, identification number, if assigned and client's registered office in case of a legal entity, the client assets of which are protected by the ZoCP, as well as a first name, surname and permanent residence address of a person or persons, who are the statutory body or members of the statutory body of this legal entity,
 - iii. common client assets, for which the conditions under paragraph 3 point a) of this article are not met,
 - iv. a notarial custody, for which the conditions under paragraph 3 point b) of this article are not met.
- 6. Unavailable client assets are client assets received by
 - a) a securities broker or foreign securities broker that was pursuant to § 86 par. 3 of the ZoCP declared incapable of fulfilling obligations towards the clients,
 - b) a securities broker or foreign securities broker whose disposal of client assets has been suspended as a result of a decision by a bankruptcy court issued in bankruptcy proceedings pursuant to a special act, if such decision became enforceable prior to the declaration pursuant to § 86 par. 3 of the ZoCP.
- 7. As unavailable client assets shall not be considered securities and other financial instruments received by a securities broker under paragraph 6 of this article, which a securities broker or foreign securities broker is able to return to a client without causing a detriment to the claims of other clients.
- 8. On the date on which the client assets became unavailable, until the end of compensation payments under § 88 par. 1 and 2 of the ZoCP, the disposal of the financial instruments and funds that represent unavailable client assets, assignment of receivables towards a securities broker from unavailable client assets and offsetting of mutual receivables between the securities broker and other entities are suspended. For the same period, the securities broker is prohibited from providing investment services or concluding other trades, which increase the receivables or liabilities of the securities broker towards other entities.
- 9. The securities broker's client is, on the date on which the client assets became unavailable, entitled to request the return of a security or a financial instrument under section 7 of this article and the securities broker is obliged to comply with this request.

Article III.

Compensation for Unavailable Client Assets

1. For unavailable client assets, the client is entitled to a compensation from the fund in euros and the fund is obliged to provide compensation for it to the extent and under the conditions stipulated in the ZoCP. Other authorized person has the right to a compensation instead of the client only if stipulated so by the ZoCP.

2. The fund provides compensation for protected client assets in the amount of unavailable client assets; overall, however, one client or other authorized person pursuant to the ZoCP is entitled to a compensation from the fund in the maximum amount of EUR 50,000.
3. For the purposes of calculation of the compensation amount for protected client assets, unavailable client assets of the same client at one securities broker including its shares in client assets that belong to the client along with other clients and which are protected under the ZoCP, are calculated, according to the balance on the date when the client assets became unavailable. For each common client asset, each client has the same share, unless other shares of individual clients are proved by credible documents. Interest and other asset benefits associated with unavailable client assets are, for the purposes of calculating the amount of compensation, calculated according to the balance as of the date when the client assets became unavailable and are added to the unavailable client assets of the client. The amount of unavailable client assets thus determined shall be, for the purposes of calculating a compensation, reduced by all time-barred financial instruments and deposits as well as by all liabilities of the client towards the securities broker according to the balance as of the date when the client assets became unavailable. Subsequent changes to this balance are not taken into consideration. The calculated compensation amount is rounded up to the nearest euro cent.
4. The value of client assets is determined by the values that, as of the date when the client assets became unavailable, result from the agreement between the securities broker or from special legal regulations related to the determination of an asset value. The determination of value of securities admitted to trading on the market of listed securities of the stock exchange is based on the last price of these securities published by the stock exchange as of the date when the client assets became unavailable.
5. Unless a different value of the client's assets or liabilities towards the securities broker is reliably demonstrated, an entry from the securities broker's records is decisive, unless stipulated otherwise by a specific act.
6. The client is entitled to a compensation pursuant to paragraphs 1 and 2 of this article also if their financial instrument is not due by the end of the period for compensation payment determined under § 88 par. 1 and 2 of the ZoCP. This does not apply to the prohibition of disposal of a financial instrument or to the prohibition of its payment according to special regulations. Upon termination of the prohibition, a compensation may be provided depending on the nature of the subject matter to the client or other person, if a right to the client's financial instrument or part thereof arose to them based on the decision of the competent authority.
7. Compensation shall not apply to time-barred financial instruments and deposits and to client assets of clients who have a special relationship to the securities broker, at any time during the period of one year prior to the date when the client assets became unavailable. For this period, the fund may, pursuant to § 90 par. 1 of the ZoCP, request a list of these persons from the securities broker.
8. As persons having a special relationship to the securities broker shall be, for the purposes of the ZoCP, considered the following:
 - a) members of the Board of Directors of a securities broker, senior employees of a securities broker, other employees determined by the articles of association and procurator holder of a securities broker,
 - b) members of the Supervisory Board of a securities broker,
 - c) legal entities or natural persons having control over a securities broker, members of the statutory bodies of such legal entities and senior employees of such legal entities,
 - d) persons related to members of the Board of Directors of a securities broker, Supervisory Board of a securities broker, senior employees of a securities broker or natural persons having control over a securities broker,
 - e) legal entities, in which any of the persons referred to in points a), b), c) or d) have a qualifying holding,
 - f) shareholders with a significant influence on a securities broker and any legal entity, which is under their control or which has control over them,
 - g) legal entities controlled by a securities broker,
 - h) an auditor or a natural person who performs audit activities on behalf of an audit company,
 - i) a member of the statutory body of another securities broker and a head of a branch of a foreign securities broker,
 - j) a head of a branch of a foreign securities broker and his/her representative.
9. Compensation from the fund does not belong to clients who:

- a) by their criminal activity, for which they have been legally convicted in criminal proceedings by a court, have caused, in part or in full, an inability of a securities broker to pay obligations to clients,
 - b) have acquired financial instruments and funds in relation to money laundering, for which they have been legally convicted in criminal proceedings.
10. The fund shall suspend the payment of compensation to a client, against whom a criminal proceeding is initiated in relation to a criminal activity that may be related to the inability of a securities broker to pay obligations to clients.

Article IV.

Payment of a Compensation

1. The fund shall, no later than within five business days after the client assets at a securities broker became unavailable, determine the commencement, duration, procedure and place of compensation payments. The fund shall deliver a notification on the above without any delay to a securities broker.
2. The payment of compensations must be finished no later than three months from the declaration under § 86 par. 3 of the ZoCP or from the delivery of an enforceable court decision pursuant to § 82 par. 1 point b) of the ZoCP. The fund may, with the prior consent of the NBS, in exceptional and justified cases, extend this period by a maximum of three months. However, the payment of compensation must be finished no later than within one year from the declaration under § 86 par. 3 of the ZoCP or from the delivery of an enforceable court decision under § 82 par. 1 point b) of the ZoCP.
3. The securities broker is obliged to publish the data under paragraph 1 of this article along with a declaration under § 86 par. 3 of the ZoCP or a verdict of an enforceable court decision pursuant to § 82 par. 1 point b) of the ZoCP in press with nationwide coverage and in publicly accessible premises of a securities broker on the following business day after the delivery of a notification under paragraph 1 of this article.
4. The fund pays compensation for unavailable client assets through a bank entrusted by the fund for this purpose. It is entitled to give necessary instructions to the bank for this purpose. These instructions are binding for the bank.
5. The person who has and exercises the right to a compensation must prove, depending on the type of client assets that it is entitled to the payment of a compensation for such client assets; such right is demonstrated in particular by a proof of entitlement to the financial instrument or funds or by a decision of the competent authority. A natural person exercising the right to a compensation must at the same time prove their identity; a legal entity exercising the right to a compensation must at the same time submit an extract from the official register or from official records in which it is registered, not older than one month before exercising the right to a compensation. The client's representative must also prove their identity and submit a document or an officially certified copy of a document, which proves the entitlement of the representative to represent; in case of a legal entity, for which the right to a compensation is not exercised by its statutory body, such document must include an officially verified signature of a statutory body of such legal entity. If a client or their legal representative acts through an agent, the agent must prove also their identity and submit the power of attorney with an officially certified signature of a principal; if the principal is a legal entity, the power of attorney must include an officially certified signature of a statutory body of such legal entity. The identity of a client, a representative or their agent is proved by:
 - a) a valid identity card or
 - b) a valid passport, diplomatic passport, service passport and in case of a foreign citizen, a residence permit of a foreign citizen in the territory of the Slovak Republic.
6. The notification of the fund under paragraph 1 of this article may specify the conditions under which the compensation is paid by wire transfer.
7. If the client has client assets at a securities broker, the total amount of which exceeds the amount of compensation under § 87 par. 2 of the ZoCP, the compensation is provided for financial instruments gradually in a chronological order as they were entrusted to a securities broker up to the amount specified in § 87 par. 2 of the ZoCP, unless the fund and the client agree otherwise.
8. The amount of compensation for client assets consisting of financial instruments and funds in a foreign currency is calculated according to the reference exchange rate determined and announced by the European Central Bank or the NBS, valid as of the date when the financial instruments or funds became unavailable.

9. If the client or other person under § 87 par. 6 of the ZoCP could not exercise the right to a compensation within the period under the paragraphs 1 and 2 of this article due to proven serious health-related or other serious reasons, the fund may provide a compensation on the basis of a written request also after this period, but not later than within one year from when the client assets became unavailable.
10. The person and the representative of the person exercising the right to a compensation for unavailable client assets are, within the demonstration of fulfilment of requirements and conditions, obliged to provide and allow to obtain by copying, scanning or other recording the following:
 - a) personal data on identity from the identity document to the following extent: image portrait, title, first name, surname, maiden name, birth number, date of birth, place and district of birth, permanent residence address, temporary residence address, record of legal capacity restriction, type and number of the identity document, issuing authority, date of issue and validity of the identity document, in case of a natural person,
 - b) identification data to the extent pursuant to § 81 par. 5 a) of the second point of the ZoCP, in case of a legal entity,
 - c) a contact telephone number, a fax number and an e-mail address, if available,
 - d) documents and data on client assets and other receivables and obligations towards the securities broker with unavailable client assets, on the authorization of a representative to represent and on the fulfilment of other requirements and conditions necessary to assess and document the legitimacy of the exercised right to compensation and to provide compensation for legally protected unavailable client assets.
11. A compensation for unavailable client assets may not be provided and paid, if the person or representative of the person exercising the right to a compensation for unavailable client assets, has not fulfilled all requirements and conditions pursuant to the ZoCP and general terms for payment of compensations necessary to assess and document the legitimacy of the exercised right to compensation and to provide compensation for legally protected unavailable client assets.
12. On the date of payment of the compensation, a receivable arises to the fund and the fund becomes a creditor towards the securities broker to the extent of the compensation paid by the fund to the client. On this date, a client's receivable towards the securities broker to the extent of the compensation paid ceases to exist.
13. The fund may also claim from the securities broker the actual costs incurred to it in relation to the payment of compensations.
14. Unless provided otherwise by the ZoCP, legal regulations between the fund and the securities broker, for whose unavailable client assets the fund paid a compensation, shall be governed by the provisions of the Civil Code on guarantees.
15. The payment of a compensation for unavailable client assets, the amount of interest and other asset benefits identified pursuant to § 87 par. 4 of the ZoCP and the amount of the outstanding liability, for which a compensation was not provided, shall be indicated in the records of the securities broker and in documents on a relationship to a financial instrument stating the liability amount.
16. The provision of a compensation from the fund does not affect the right of the client or other entitled person to recover from the securities broker the payment of the part of client assets for which no compensation from the fund was provided.