Investor Protection Sectoral Fund

Investment institutions

For the purposes of the Guarantee Fund Act, an investment institution means:

- an investment firm within the meaning of the Securities Market Act;
- a credit institution, or a bank;
- a management company authorized to provide a securities portfolio management or securities custody service.

An investment institution in the case of investment firms and banks also includes its branches established in a contracting state of the European Economic Area and cross-border services provided in a contracting state.

- The contracting states to the European Economic Area are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Norway, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland.

Credit Institution or bank authorization

The documents and details to be submitted in the application for authorization include confirmation by which the applicant undertakes to pay a single contribution to the Deposit Guarantee Sectoral Fund as provided for in the Guarantee Fund Act and a single contribution to the Investor Protection Sectoral Fund if the business plan envisages the provision of investment services.

Investment firm authorization

To operate as an investment firm, a person must be authorized to do so. This authorization is granted and revoked by the Financial Supervision and Resolution Authority.

Authorization is granted for the provision of one or more investment services and may cover one or more ancillary services. An investment firm will not be separately authorized to provide only ancillary services.

The documents and details to be submitted in the application for authorization include confirmation by which the applicant undertakes to pay a single contribution as provided for in the Guarantee Fund Act.

Management company authorization

A management company is a company whose main and permanent activity is the management of one or more funds.

In order to act as a management company, a person must be authorized to do so or register their activity with the Financial Supervision and Resolution Authority in accordance with the Investment Funds Act. Authorization is granted and revoked by the Financial Supervision Authority.

A management company applies for authorization to manage a fund or for authorization to manage a fund together with the right to provide one or more investment services (such as securities portfolio management, investment advice or the holding of units or shares of a fund for a client).

If the management company applies for authorization together with the right to provide investment or ancillary services, the application for authorization must be accompanied by a document proving their commitment to pay a single contribution to the Investor Protection Sectoral Fund.

Calculation and payment of quarterly contribution

Investment service volume indicators used for calculations:

- The average turnover over the last ten business days in the quarter preceding the quarter in which the contribution is payable in respect of the purchase and sale of securities to which an investment institution is a party or intermediary.
- The market value of cash and securities managed by the investment institution on the last business day of the quarter preceding the quarter in which the contribution is due.
- The market value of the securities held by the investment institution as at the last business day of the quarter preceding the quarter in which the instalment is due.

The amount of the quarterly contribution is calculated by multiplying the volume of investment services provided by the investment institution (minus investments not subject to guarantee) by the contribution rates set by the Supervisory Board of the Guarantee Fund.

The amount of the quarterly contribution is obtained by adding together the amounts calculated on the basis of the investment volume.

The contribution per investment institution may not be less than 50 euros.

If all the investments to be compensated from the account of the Sectoral Fund have not been compensated and the loans taken out for the purpose of compensation and the funds received from other Sectoral Funds to meet the liabilities of the Sectoral Fund, together with the calculated interest, have not been repaid in full, the contribution may not be less than 255 euros.

The volume of investment services used to calculate the quarterly contribution and the

amount of the quarterly contribution due are calculated by the investment institution.

More detailed procedures are established in regulations of the Minister of Finance.

If errors are detected and accounting policies are changed, new corrected reports are submitted to the Guarantee Fund via the Financial Supervision and Resolution Authority.

The quarterly contribution is paid by the investment institution or branch by the 15th day of the second month of each quarter.

In the event of non-payment or partial payment of the contribution by the due date set by the investment institution (the 15th day of the second month of each quarter), the Guarantee Fund charges interest on the outstanding amount at the rate of 0.2% per day.

Investments not guaranteed and not included in the volume of investment services

For the purpose of calculating the amount of the quarterly contribution, the following investments are excluded from the volume of investments:

- Investments that are subject to compensation under § 52 and § 53 of the Securities Register Maintenance Act.
- Investments held by a professional investor* or by any of the following persons in Estonia or abroad as at the date of compensation:

1. the state;
2. a local authority;
3. a legal person whose main and continuous activity is the acquisition of holdings or the performance of one or more of the transactions and operations listed in § 6(1)2)–12) of the Credit Institutions Act;
4. a company belonging to the same group as an investment institution;
5. a member of the management board or supervisory board or an auditor of the same investment institution or a company belonging to the same consolidation group as the investment institution, and a person holding at least five per cent of the share capital of the investment institution or a company belonging to the same consolidation group as the investment institution;
6. a close relative of the person referred to in the previous point or a third party acting on that person’s behalf.

*For the purposes of the Guarantee Fund Act, a professional investor is an investor specified in § 6(2) of the Securities Market Act.

- Investments whose owner has liabilities that have fallen due to the same investment institution, to the extent of such liabilities (§ 48 (3) of the Guarantee Fund Act).
- Investments confiscated following a conviction in a money laundering or terrorist financing case. If the disposition of the investment has been restricted by a precept of the Financial Intelligence Unit or if the investment has been seized in the course of criminal proceedings in a case concerning money laundering or terrorist financing, the compensation is suspended until the precept has been revoked or the decision has entered into force.
- Investments belonging to a person subject to an international sanction as at the date

of compensation. A person in which a qualifying holding is held by or which is controlled by a person subject to an international sanction is also deemed to be a person subject to an international sanction.

Suspension of quarterly contribution collection

On the basis of a decision of the Supervisory Board of the Guarantee Fund, the Guarantee Fund suspends the collection of quarterly contributions of investor protection if all of the following conditions are met:

1. the value of the assets of the Sectoral Fund exceeds 2,000,000 euros;
2. all the investments to be compensated from the Sectoral Fund have been compensated;
3. loans taken to meet the obligations of the Sectoral Fund and funds received from other Sectoral Funds, together with accrued interest, have been repaid in full.

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