

**BETTER FINANCE****European Federation of Investors and Financial Services Users****Rue d'Arenberg 44****B-1000 Brussels****Belgium**

Brussels, 27 August 2019

**Mr. Valdis Dombrovskis****Vice-President of the European Commission****European Commission, Rue de la Loi 200****1049 Brussels, Belgium**

**Subject:** The risk of destroying the individual share ownership in Slovenia  
**Deficiencies of Slovenian Market in Financial Instruments Act (ZTFI-1) with Regulation (EU) No 909/2014**

Dear Mr Vice-President,

As you know, the European Federation of Investors and Financial Services Users ("BETTER FINANCE") is the dedicated representative of users of financial services at European level. It comprises forty-two national and international member and sub-member organizations with more than 4 million individual members altogether.

At BETTER FINANCE, we closely monitor various Member States' legal frameworks regarding the rights of individual investors and minority shareholders. In our letter of 4<sup>th</sup> April we have drawn the European Commission's attention to the fact that Republic of Slovenia introduced Market in Financial Instruments Act (Zakon o trgu finančnih instrumentov, Uradni list RS, No 77/18, henceforth: ZTFI-1), which infringes on investors' rights granted by the provisions of the Regulation (EU) No 909/2014<sup>1</sup>. Specifically, Paragraph 5 of the Article 38 of the said Regulation provides:

*"A participant shall offer its clients at least the choice between omnibus client segregation and individual client segregation and inform them of the costs and risks associated with each option. However, a CSD and its participants shall provide individual clients segregation for citizens and residents of, and legal persons established in, a Member State where required under the national law*

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<sup>1</sup> Regulation (EU) No 909/2014 of the European parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

*of the Member State under which the securities are constituted as it stands at 17 September 2014. That obligation shall apply as long as the national law is not amended or repealed and its objectives are still valid.”*

**ZTFI-1 that has been adopted on 20 November 2018 and became effective on 15 December 2018 substantially limits the ability of attorneys and public notaries to keep fiduciary (omnibus) securities accounts. In particular, Paragraph 10 of Article 296 limits the duration of such an account to maximum period of 12 months, whereby the underlying purpose for such an account is limited to joint selling or buying of shares, thereby excluding the joint exercise of shareholders’ rights. This deviates substantially from common European efforts to foster greater participation of shareholders.**

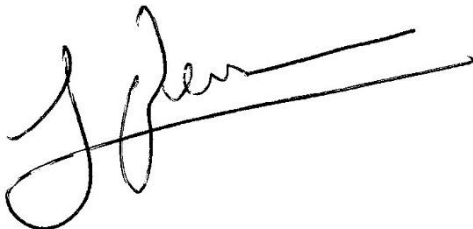
**Such limitations of omnibus securities accounts were not effective on 17 September 2014 which is reference date with respect to the provisions of the abovementioned Article 38 of Regulation (EU) No 909/2014.**

We believe that one of the main purposes of harmonization of the European law is to ensure level playing field for all participants within EU's single market. Since the European Commission is bestowed with the prerogative of being the guardian of the European Treaties, 4 months ago we encouraged DG Fisma to thoroughly assess ZTFI-1 and – in case of reaching the same conclusions as we have – proceed in order to safeguard the full observance of Regulation (EU) No 909/2014 by the Republic of Slovenia. However, so far we have not received an answer to our letter.

In the context of European Commission’s two flagship projects: Capital Markets Union and Action Plan for Sustainable Finance it is all the more important to protect citizens’ rights as small shareholders. Therefore, we would kindly ask you to treat this matter with urgency and inform us about the outcome of DG Fisma’s assessment and about the steps that were undertaken in order to ensure Slovenia’s full compliance with EU law and the protection of citizens’ rights as individual shareholders.

Please accept the expression of our highest consideration.

Yours sincerely,



Guillaume Prache  
Managing Director of BETTER FINANCE

Cc: Mr Olivier Guersent, Director General, Directorate-General for Financial Stability, Financial Services and Capital Markets Union, European Commission



The European Federation of Investors and Financial Services Users  
Fédération Européenne des Épargnants et Usagers des Services Financiers