

Guarantee Fund of Securities Traders

In accordance with Act No. 256/2004 Coll., on business activities on the capital market, the Guarantee Fund is a legal person that operates a guarantee scheme under which compensation is paid to the clients of an investment firm that is unable to discharge its obligations in relation to its clients.

The Guarantee Fund

- accepts contributions from securities traders,
- notifies the Czech National Bank (CNB) of the amounts of contributions paid by individual securities traders to the Guarantee Fund for the relevant calendar year and publishes such information in a manner allowing remote access by 30th April of the following year,
- ensures verification of claims for the payment of compensations from the Guarantee Fund,
- ensures payment of compensations from the Guarantee Fund.

The Guarantee Fund is a legal person entered in the Commercial Register. The Guarantee Fund is not a state fund; special regulations on insurance do not apply to it.

The statutory body of the Guarantee Fund is a five-member managing board appointed and dismissed by the Minister of Finance. Members of the managing board of the Guarantee Fund are appointed for a five year period (and can be appointed repeatedly); at least one member is appointed from among the employees of CNB, at the suggestion of the CNB Bank Board. At least two members are appointed from among the members of the statutory body or the investment firms. A member of the managing board is obligated to carry out their duties with due professional care.

Payment of Contribution to the Guarantee Fund

As an investment firm, Citifn – FT is obligated to pay an annual contribution to the Guarantee Fund equal to 2 % of the volume of profits from fees and commissions for services provided over the past calendar year. The annual contribution to the Guarantee Fund is at least CZK 10,000 regardless of the number of months in which the investment firm performed its business activities. The annual contribution for the preceding calendar year is payable by 31st March.

The Guarantee Fund informs the Czech National Bank without delay following the expiry of the time limit above of the total contributions paid by each individual investment firm for the elapsed period. The Czech National Bank compares the contributions actually paid with the volume of fees and commissions received for the investment services provided over the past year in accordance with Act No. 256/2004 Coll., on business activities on the capital market, as amended. If a discrepancy is discovered, the Czech National Bank shall take an appropriate remedial measure. The Czech National Bank shall notify the Guarantee Fund of any discrepancies found and of any remedial measures taken.

Provision of Compensation from the Guarantee Fund

The Czech National Bank shall notify the Guarantee Fund without undue delay that:

- an investment firm is unable, due to its financial situation, to fulfil its obligations consisting in the release of assets to clients and is not likely to discharge the same within 1 year, or
- a court has adjudicated bankruptcy of an investment firm or issued another decision as a result of which clients of the investment firm cannot effectively claim release of their assets from the investment firm.

The Guarantee Fund shall publish in a suitable manner, without delay and in agreement with the Czech National Bank, a notification containing:

- information that the investment firm is unable to fulfil its obligations,
- the place, method and deadline for the registration of claims for compensation and commencement of the payment of compensation from the Guarantee Fund
- any other information associated with the registration of claims.

The time period allowed for the registration of claims may be no less than 5 months from the date of publication of the notification. Compensation is provided from the Guarantee Fund for client assets which could not be released to the client for reasons directly linked with the financial condition of the investment firm. Compensation from the Guarantee Fund is paid out to the client in an amount equal to 90 % of the sum calculated in accordance with § 130, sections 8 and 9 of Act No. 256/2004 Coll., on business activities on the capital market, but no more than a Czech crown equivalent of EUR 20,000 to one client of one investment firm.

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

An investment firm shall provide to the Guarantee Fund at its request any documents necessary for calculating compensation in accordance with § 130, sections 8 and 9 of Act No. 256/2004 Coll., on business activities on the capital market.

Upon the payment of compensation from the Guarantee Fund, the Guarantee Fund becomes a creditor of the investment firm to the extent of such compensation payment. A client's right to receive compensation payment from the Guarantee Fund lapses upon the expiry of 5 years from the due date of the client's claim for payment of compensation from the Guarantee Fund.