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## FAQ

When did previous cases of the compensation of investments by the Guarantee Fund take place in Estonia?

There have been no cases of investment compensation in Estonia so far.

What is the amount of investments protected?

Investments guaranteed by the Guarantee Fund are guaranteed up to 20,000 euros (excluding investments not subject to guarantee).

### **Whose investments are protected?**

- Investments by both private individuals and businesses are guaranteed and compensated, excluding investments not subject to guarantee.
- The Guarantee Fund guarantees and reimburses the investments of the clients of, or investors, of investment in, institutions registered in Estonia.
- The funds also guarantees and reimburses investments by investors in Estonian branches of foreign investment institutions.
- Investments are also guaranteed and compensated by the Guarantee Fund if the investment institution provides cross-border investment services abroad.

### **Who are investment institutions?**

#### **The investment institutions are:**

- credit institutions;
- investment firms;
- management companies authorized to provide a securities portfolio management or securities custody service

### **When does Guarantee Fund start protecting investments?**

The Guarantee Fund's obligation to compensate investments arises on the day of the suspension of deposits in the case of investments made by a credit institution providing investment services and on the earliest of the following days in the case of investments made by other investment institutions (hereinafter 'date of compensation'):

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1. the date of declaration of the bankruptcy of the investment institution or person who acted as an investment institution;
  2. the date of revocation of the authorization of an investment firm or the date of revocation of the authorization of a foreign investment firm to establish a branch in Estonia if the basis for the revocation was the failure of the investment firm to fulfil its obligations related to investments;
  3. the date of revocation of the management company's authorization or of the right to manage the securities portfolio, where the revocation of the authorization or right was based on the management company's failure to comply with its investment obligations;
  4. the date of any other event or operation provided for in the legislation of the country of domicile of a foreign investment institution having a branch in Estonia, which is similar in its consequences to those described in the preceding points and upon the occurrence of which the investments are subject to compensation under said legislation.

In addition, the Financial Supervision Authority may, by a resolution thereof, consider the date of compensation to have arrived if the investment institution has failed to return the securities or funds belonging to the investors and circumstances indicating the insolvency of the investment institution have emerged.

### **What is an investment within the meaning of the Guarantee Fund Act?**

An investment within the meaning of the Guarantee Fund Act is a claim based on an agreement between the parties or a legal act under which an investment institution is obliged to:

- pay an investor money owed or due to the investor and held or disposed of by the investment institution for the account of the investor in connection with the provision of investment services;
- transfer to an investor securities owed or owned by the investor and held, disposed of or managed by the investment institution on behalf of the investor in connection with the provision of investment services.

### **What type of investments (securities) are guaranteed?**

**The following are guaranteed:**

- shares or other equivalent tradable rights;
- bonds, convertible securities or other debt obligations issued and traded, other than money market instruments;
- subscription rights or other negotiable rights conferring the right to acquire the securities referred to above;
- investment fund units and shares;
- money market instruments;
- derivative instruments (including derivative instruments and derivative contracts);
- negotiable certificates of deposit of a security;
- greenhouse gas emission units within the meaning of § 137(1) of the Atmospheric Air Protection Act.

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The definition of a security traded on a regulated market also applies to a listed security.

### **What is an investment service?**

Investment services are the services mentioned in § 43 and § 44(1) of the Securities Market Act, such as:

- the receipt, forwarding, and execution of orders relating to securities;
- securities portfolio management;
- the holding and administration of securities for clients and related activities.

### **Who is an investor?**

An investor is a client of an investment institution operating in Estonia on the basis of an authorization issued by the Financial Supervision Authority who owns a security or has undertaken to acquire securities.

If a private individual operates as a company or is a member of the management board of a company, are the investments guaranteed for both the private individual and the company added together?

No. Investments to be guaranteed in a single investment institution are guaranteed for private individuals and companies separately, each to the value of 20,000 euros. If a private individual has 20,000 euros in an investment institution and a company of which the same private individual is the owner or a member of the management board has 10,000 euros in the same investment institution, then 20,000 euros is guaranteed for the private individual and 10,000 euros for the company.

A company is treated as a legal person. The exception here is self-employed persons.

How are self-employed persons handled?

If an individual has investments as both a legal person and a self-employed person, they are compensated for the guaranteed investments to the value of up to 20,000 euros in total.

### **Are business investments eligible for compensation?**

Yes, to the same extent as investments made by private individuals, except for investments not subject to compensation.

### **What is a joint investment?**

A joint investment within the meaning of the Guarantee Fund Act is an investment held jointly by two or more persons. For the purpose of compensation of a joint investment, each holder of a joint investment is considered an investor.

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## Whose investments are not guaranteed or compensated?

- Investments that are subject to compensation under § 52 and § 53 of the Securities Register Maintenance Act are not subject to guarantee and compensation.
- Investments held by a professional investor or by any of the following persons in Estonia or abroad as at the date of compensation are not subject to guarantee and 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.
- No guarantee or compensation is provided in respect of an investment whose owner has liabilities that have fallen due to the same investment institution to the extent of such liabilities.
- Investments confiscated following a conviction in a money laundering or terrorist financing case are not subject to guarantee and compensation. If the disposal 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 of money laundering or terrorist financing, the compensation is suspended until the precept has been revoked or the decision has entered into force.
- Investments held by a person subject to international sanctions as at the date of compensation are not subject to guarantee and compensation. A person in which a qualifying holding is held by or which is controlled by a person subject to an international sanction is deemed to be a person subject to an international sanction.

Who is a professional investor?

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

Does the Guarantee Fund protect investment fund assets?

The protection of the Guarantee Fund does not extend to investment fund assets.

In which currency is compensation paid?

Compensation is paid in euros. The amount of the compensation is determined on the basis of the value of the investment on the date of compensation. The value of foreign currency and

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of securities denominated in a foreign currency will be converted into euros at the exchange rate of the European Central Bank on the day of compensation.

What happens if the investor has received less compensation or none at all?

If the Guarantee Fund fails to pay compensation within the term laid down in the Guarantee Fund Act, or if it has paid less compensation than provided for, the investor has the right to bring a claim against the Guarantee Fund. The claim is subject to a limitation period of five years.

What happens to amounts (investments) exceeding 20,000 euros or investments not compensated by the Guarantee Fund?

Investors' claims against an entity in liquidation in excess of 20,000 euros or which are not covered by the Guarantee Fund are settled in accordance with the Bankruptcy Act or other laws.

Is it necessary to pay a service fee to receive compensation?

The investor pays for the transfer of the compensation in accordance with the current price list of the paying bank.

What does an investor need to do when the date of compensation arrives?

The investor has the right to submit a statement of their investment and its value to the liquidator within five months of the date of the notice being published by the Guarantee Fund in a national daily newspaper regarding the date of compensation.

**From the date of the liability obligation for compensation arising:**

**within 3 working days**

The Guarantee Fund publishes a notice in daily national newspapers and on the webpage of the Guarantee Fund setting out the term and procedure for the payment of compensation

**no later than 45 days**

A member of the management board, trustee in bankruptcy, moratorium administrator or liquidator of an investment institution (trustee):

1. provides each investor with information regarding their investments
2. provides the Guarantee Fund with information regarding the investors and their investments which are subject to compensation

**within 5 months**

The investor has the right to submit their positions regarding their investments and the value thereof to the trustee

**within 5 months of the commencement of compensation**

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Compensation shall be paid in money via bank transfer to the account indicated by the investor

Performed by the Guarantee Fund and credit institution(s) (specified in a resolution of the supervisory board)

**within 6 months**

Completion of compensation

Performer: Guarantee Fund, credit institution(s)

**within 18 months**

The Guarantee Fund may extend the terms under extraordinary circumstances and with good reason. A term may be extended by up to three months at a time, but not for more than a total of twelve months.

Performer: Guarantee Fund

**Up to 5 years**

If the Fund fails to pay compensation within the term specified or pays less compensation than prescribed, the investor has the right to file a claim against the Guarantee Fund.

When does payment of compensation start?

Compensation must be paid to the investor within one month of the determination by the Guarantee Fund of the value of the investment to be compensated, but not before the investor has submitted their opinion to the liquidator on their investment and its value or the expiry of the term for this purpose, i.e. five months from the date of the notice being published by the Guarantee Fund in a national daily newspaper regarding the date of compensation.

What is the term for payment of compensation?

Payment of compensation must be completed within six months of the date of publication by the Guarantee Fund in a national daily newspaper of the date of suspension of deposits or the date of notice of compensation. Under exceptional circumstances and with good cause, the Supervisory Board of the Guarantee Fund may extend the term for the payment of compensation by up to 12 months.

What is the latest deadline for investors to receive their compensation? (When does the investor's claim expire?)

The limitation period for the investor's claim is five years. The limitation period is calculated from the day on which the investor's claim becomes enforceable.

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