

BETTER FINANCE
The European Federation of Investors and Financial Services Users
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Brussels, 30 October 2018

Ministry of Finance
Andrej Bertoncej, Ph. D., Minister of Finance
Zupanciceva 3
SI - 1000 Ljubljana
Slovenia

Subject: *Reservations regarding the proposed Market in Financial Instruments Act (ZTFI-1)*

Esteemed Minister of Finance, Andrej Bertoncej,

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 around fifty national and international members and sub-member organisations, who in turn represent more than four million individual members.

We closely monitor various national legal frameworks with regard to the rights of individual investors and minority shareholders.

We are alarmed that for the second time in less than two years the Republic of Slovenia moves to curtail the options available to minority shareholders to mitigate the burden of costs imposed on them by financial intermediaries. Specifically, the proposed Paragraph 10 of Article 296 of the Market in Financial Instruments Act (ZTFI-1) targets the "Share SUPPORT" scheme of the Pan-Slovenian Shareholders Association (VZMD) by limiting the duration of fiduciary securities accounts of dedicated attorneys used by the "Share SUPPORT" scheme to 12 months. We assess that such additional restrictions will seriously jeopardise the prospects of minority shareholders in the Slovenian capital market.

We would hereby like to stress our firm belief that the proposed 12-month restriction is incompatible with the provisions of the *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*, and more specifically with the provisions of Article 38 of said Regulation. Paragraph 5 of Article 38 reads: "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." A move to further restrict attorneys' fiduciary securities accounts infringes on the right of investors recognised by the *acquis communautaire* to hold the assets in an omnibus-type of account.

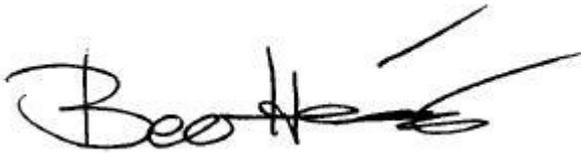
Since the implementation of the proposed restriction will have terminal and irreparable consequences - even if such a restriction is found to be contrary to European law at a later stage - we strongly suggest that in case you should decide to proceed with the restriction, you apply a longer time limitation to allow competent bodies to establish whether such a restriction indeed constitutes a breach of European law. We assess that such a limitation should not be shorter than 36 months. In case the assessment of competent European bodies, such as the European Court of Justice, should find no breach, then we shall accept such outcome. However, if a breach should be ascertained, then irreparable damage to the rights of minority shareholders will have been averted with an extension from a 12-month to a 36-month period.

Furthermore, we have observed that in the Slovenian market of financial instruments a peculiar practice of charging investors for the processing of dividends still persists. Deviations are of such a magnitude that an investor can easily end up owing amounts exceeding that of the dividends actually received to a financial intermediary for dividend payment processing. We feel that VZMD's proposal to address the issue by establishing the right of an investor to accumulate several smaller payments into one larger payment and thereby decrease the total cost is well substantiated and worth implementing.

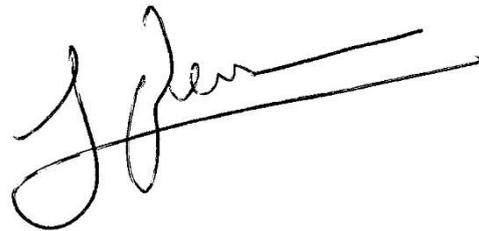
We sincerely hope that our concerns raised within this letter shall be addressed.

Please accept the expression of our highest consideration,

Yours faithfully,



Jella Benner-Heinacher
President of BETTER FINANCE



Guillaume Prache
Managing Director of BETTER FINANCE

Courtesy copy:

- President of the National Assembly of the Republic of Slovenia, Mr Dejan Židan
- Prime Minister of the Republic of Slovenia, Mr Marjan Šarec
- President of the PanSlovenian Investors` & Shareholders` Association (VZMD), Mr Kristjan Verbič
- Vice-President of the European Commission in charge of the Euro, Social Dialogue, Financial Stability, Financial Services and Capital Markets Union, Mr Valdis Dombrovskis
- European Commissioner for Justice, Consumers and Gender Equality, Věra Jourová
- Director-General for Financial Stability, Financial Services and Capital Markets Union at the European Commission, Olivier Guersent