PRESS RELEASE

BETTER FINANCE WELCOMES THE NEW EP ECON STUDY ON MIS-SELLING OF SUBORDINATED DEBT TO RETAIL INVESTORS AND NOTES ITS IMPLICATIONS FOR SLOVENIA

In June 2018 the ECON committee of the European Parliament published a study titled "*Subordinated Debt and Self-placement: Mis-selling of Financial Products*".

After five years of very diverse interpretations and applications of so-called "burden sharing" in bank recovery and resolution, also known as bail-in of subordinated bank creditors, the European Parliament's ECON Committee examined whether subordinated bonds were sold to the general public as a consequence of weak and ineffective regulations (MiFID). It found that, on the contrary, such selling practices were in fact in breach of MiFID rules, which therefore qualifies such practices as mis-selling and entitles the wronged retail bondholders to compensation.

BETTER FINANCE already noted that the treatment of retail subordinated bondholders was exceptionally harsh in Slovenia, where all of the subordinated debt in all banks – including all three systemic ones - was wiped out without compensation and without efficient legal recourse. This wipe-out was ruled unconstitutional by the Slovenian Constitutional Court in October 2016, although the situation remains to be rectified to this day. Following these developments, BETTER FINANCE also called upon both the EC authorities and the Slovenian government to start seeking a constructive solution, but so far nothing has happened.

The abovementioned ECON study - even though it looks at all EU countries without necessarily focusing on Slovenia - still confirms the fact that the Slovenian case is unique in that compensation for those affected has not even been mentioned, discussed or considered. In this regard the study states on page 8 that *"[r]etail investors suffered huge losses starting in 2012 in Spain, but also in Portugal, Italy and Slovenia."*

… two paragraphs below the study continues:

"Retail investors have succeeded in court (Spain), benefited from public arbitration schemes (Spain and Italy), private arbitration organised by the financial institution which was accused of mis-selling (Spain), partial or total reimbursement by the acquiring bank (Spain and Italy) or partial or total reimbursement by private or public funds (Spain, Italy and Portugal)."

It is clear that, while a wipe-out was orchestrated in banks in these four countries, only in three of them did affected bond holders have recourse to a range of remedies, while the fourth – Slovenia – does not get mentioned in the list of these remedies.

Furthermore, on page 10 the study explicitly calls for the reimbursement of retail investors:

"When the bank responsible for the mis-selling has entered into resolution, Member States should be encouraged to establish funds to reimburse retail investors. These funds could be financed by a fee on the banking sector or through the deposit protection fund, like it occurred in Italy, or the resolution fund, like it occurred in Portugal."

Once more it is clear that in the case of Slovenia neither the EC nor the national government heeded this call.

BETTER FINANCE therefore uses the opportunity of the abovementioned ECON study's publication to again call on the EC and the Slovenian government to start actively seeking a compensation scheme for Slovenian retail holders of their banks' subordinated bonds.

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