

SECURITIES MARKET AGENCY

Ms Anka ČADEŽ, CEO

Poljanski nasip 6
1000 Ljubljana

Ljubljana, 21 December 2021

SUBJECT: OBJECTION AGAINST INADMISSIBLE REGULATORY PRESSURE ON ORGANIZED REPRESENTATION OF SMALL SHAREHOLDERS and AN OPEN CALL TO THE CEO OF SECURITIES MARKET AGENCY

Dear Ms Anka Čadež, CEO of Securities Market Agency,

The Pan-Slovenian Shareholders' and Investors' Association (VZMD) has been the target of constant inadmissible and unjustifiable pressure by the Securities Market Agency (ATVP), which has made accomplishing our mission difficult and partly impossible. This is a paradox, since the care for the rights and interests of the most vulnerable groups of participants in the financial market – the minority shareholders – is supposed to be the purpose for existence not only of minority shareholder associations, but of the ATVP itself. We do not need ATVP to protect tycoons and financial intermediaries, we need it as a protection from tycoons and financial intermediaries.

1. VZMD was not the one supporting the abolishment of free-of-charge registry accounts which threw minority shareholders between Scylla and Charybdis in 2016 – either into the mouth of the financial industry and its greediest representatives, or into termination of the continued ownership of shares. As opposed to VZMD, ATVP did not have any issues with the abolishment of free-of-charge registry accounts.
2. VZMD was not the one supporting the general permissibility of security trust accounts which would enable collective ownership of securities by financial intermediaries for all of their clients, but instead the official representatives of ATVP advocated for a complete liberalization of securities trust accounts at the supreme legislative body of the Republic of Slovenia.
3. When, as a reaction to the abolishment of the free-of-charge registry accounts in 2016, VZMD formed the "Share SUPPORT" scheme, which gave minority shareholders facing a wipe-out a group and provided cheaper ownership of shares via trust accounts of various Slovenian attorneys, AVTP suddenly started a campaign not only against the "Share SUPPORT" but also against trust accounts of attorneys in general. ATVP tackled the aforementioned issue with such fervour that the laws had to be amended twice (the ZTFI-G amendment limited the permissible purposes of security trust ownership by attorneys, and the ZTFI-1 limited the duration of such accounts even for legally permissible purposes), while this year, AVTP tried to get a third amendment (extension of jurisdiction of AVTP to entities which are not licensed at

AVTP – attorneys), however, after persistent warnings by VZMD, they retracted their attempt of additional jurisdiction encroachment.

There is an emerging pattern in the actions of AVTP, according to which rules do not apply to everyone but can be interpreted or even amended to the detriment of minority shareholders or individuals and groups of citizens if they decide to use them to protect their own interests. It is ironic and shameful that this campaign is reaching its culmination particularly under the government which has declared its efforts to cut the red tape and provide financial relief to its citizens.

4. VZMD was not the one who let millions of "guaranteed" assets of hundreds of investors "fade away" in the past years, thus forcing the protection scheme to be activated. This was done by an entity under the "supervision" of AVTP (Moja Delnica), and to date, AVTP has not yet ensured that the responsible persons from "Moja Delnica" return or replace the lost assets. On the other hand, after years of operation of "Share SUPPORT", no assets have "disappeared" or "faded away", however, AVTP is nonetheless rather focusing its powers to discourage collective organizing of minority shareholders, instead of supervising and sanctioning intermediaries, which they ought to supervise and sanction.
5. VZMD is not the one who would mix its own assets with assets of minority shareholders by founding a new legal entity (public limited company) then hold them "hostage" in the new company, and finally get rid of them with payments in the amount of 20% of their initial investment (while keeping the remaining 80%) – this **"scheme" was carried out by a financial intermediary under unquestioning "supervision" of AVTP, which did not even flinch. The scheme was called "Ilirika Modra Zvezda" and now as a mockery to the integrity of the capital market we are witnessing its tasteless rerun "Ilirika Moja Zvezda", which is repeated as a farce!**
6. **However, when if there is a chance to take a swing at VZMD, which never mixed its assets with assets of other minority shareholders and where assets of minority shareholders never faded away, AVTP loves to swing away. For 5 years AVTP have been WARNING minority shareholders about VZMD and "Share SUPPORT" on its websites¹ with the reasoning that AVTP does not have jurisdiction over VZMD, since VZMD does not perform investment services and transactions.** Needless to say, AVTP never published a warning related to the operations of Moja Delnica or operations of Ilirika through "Ilirika Modra Zvezda", nor did AVTP ever publish a warning about the farce-like repetition of "Ilirika Modra Zvezda" in the form of "Ilirika Moja Zvezda".

In its persecution of everything that "smells" like VZMD, AVTP went as far as to demand that VZMD submits all of its business documentation from 2016 on in 10 working days. It has been proven that AVTP is doing so at the initiative of one of the most "compromised" financial intermediaries in the Slovenian market, i.e. Ilirika d.d. **AVTP is prepared to go so far that they forget their warning (which has been going on for over 5 years) to minority shareholders about the "Share SUPPORT", because the latter is not under its supervision!**

¹ "Public warning about the Share SUPPORT" scheme (published as of 18 December 2016 on the websites of AVTP).


One thing is having a differentiating interpretation of the law, but it is something completely different to have different measures for different participants, and to radically change its own positions based on the daily requirements of "repressing" certain participants, individuals and groups of citizens.

With this letter VZMD publicly calls upon you, Ms Anka ČADEŽ, to ensure as a guardian of the legality of the conduct of ATVP that ATVP:

1. Stops proposing and defending legal amendments with the sole purpose of worsening organized representation of minority shareholders.
2. Improves supervision of financial intermediaries, which is severely lacking based on the examples given in this call – not to mention the examples which the public will again learn of with a time delay.
3. Limits its scope of inquiry from VZMD to information and data which it is unable to obtain from other sources (i.e. official registers and financial intermediary records), and does not impose disproportionate administrative burden on VZMD, the likes of which has never been witnessed by any financial intermediary (to provide records of all clients for a period of more than 5 years), thus overwhelming our limited HR capacities during the most critical time of the last phase of the decommissioning of registry accounts, when we all should be focusing on ensuring that as many minority shareholders, beneficiaries and citizens as possible protect their assets from the final loss.

Yours truly,

Kristjan Verbič
VZMD President



Courtesy copy to:

- Commission for the Prevention of Corruption;
- Government of the Republic of Slovenia;
- Human Rights Ombudsman;
- Ministry of Finance;
- The Court of Auditors;
- The National Assembly of the Republic of Slovenia.