



PRESS RELEASE

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CDCP: Co-ownership of securities is lacking benefits

Harmonisation of capital markets of the EU supported by common securities settlement platform Target 2-Securities (T2S) has revealed Slovak specificity unknown to practice in Europe. It concerns registration of fractions of co-owned book-entry securities in several securities accounts.

Co-ownership of securities mostly originates from inheritance proceedings or from the settlement of interspousal joint co-ownership after divorce. It can be created based on purchase agreement or the agreement on donation of securities. Each owner of securities in co-ownership has a share on book-entry securities in the form of fraction registered in his owner's account. According to statistics of Centrálny depozitár cenných papierov SR, a.s. (CDCP) currently there are securities of approximately 57 issuers in co-ownership whereas 15 557 fractions in total are registered in owner's accounts. The size of registered co-ownership shares ranges from $\frac{1}{2}$ to $\frac{1}{10\,000}$.

Foreign examples

In countries with similar holding structure of securities as in Slovakia inherited securities shall not be divided into shares in co-ownership. "If natural persons participate in inheritance proceedings in Slovenia, individual shares cannot be divided. If for example 4 units of shares are to be divided between three heirs, each heir will be credited 1 share to his account and remaining security shall stay in the account of deceased person unless heirs do not agree otherwise" says Dagmar Kopuncová, Commercial Director of CDCP. Similarly in Romania pursuant to domestic legislation shares are not divisible. Financial instruments co-owned by two or more persons are registered in the account that is co-owned by such persons. If there are several heirs, rights over financial instruments can be exercised by those heirs together or by a common representative. If heirs decide on division of financial instruments between themselves, it can be only in whole numbers.

Onerous co-ownership and problematic registration

Solution for troublesome registration of co-owned book-entry securities should be proposed by working group composed of members representing CDCP, National bank of Slovakia, the Ministry of Finance of Slovak Republic and the Ministry of Justice of Slovak Republic. However, CDCP notes that co-owners of securities themselves, for whom the co-ownership of securities is onerous in the first place, should help-out to remedy this situation. "Each co-owner of security in co-ownership can exercise the ownership right only in share that is defined by a fraction. Any disposal of such securities is therefore complicated and it requires involvement of all co-owners" explains JUDr. Michal Ninis, Head of Department of Trade Services of CDCP. As a result the overall attractiveness of securities in co-ownership is decreased because potential buyers are not interested in such securities. Having said that, an obvious interest of each co-owner of security should be to settle the ownership with remaining co-owners.



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