



CDCP SR: issuers do not fulfil their legal obligations

Press Release

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According to the valid legislation, each issuer shall cancel an issue of securities immediately after its redemption. Specifically, the issuers has obligation to send such information to Centrálny depozitár cenných papierov SR, a.s. (CDCP SR) and place request for cancellation of the issue registration. However, common practice shows that issuers are not compliant with this obligation, what causes various problems to owners of the issues and to participants of CDCP SR.

The problem emerges more evident as issuing of corporate bonds becomes more popular. „Owners or security services intermediaries are contacting us more and more often reasoning that redeemed issues not cancelled in the register are causing them several problems, mostly in connection with reconciliation, i.e. check of balances on accounts in registry of intermediary against the registry of CDCP SR,“ says Peter Nagy, the Director of the Operation Division of CDCP SR.

To be exact, the redeemed bonds remains in the registry of CDCP SR, but also in registry of its participants (intermediaries). „The bonds after maturity kept in the registry of CDCP SR are causing problems with reconciliation of participants’ registry against the registry of CDCP SR, especially if the bonds actually were not paid out yet; in participants’ systems is registered pending corporate action event (event related to a company – in this case a principal pending on intended payment date according to issuance conditions of the bond), and in case of transition to a new banking system, there is a problem to migrate such pending corporate action to the new system,“ says Oľga Długopolská – the Chairman of the User Committee of CDCP SR. „In addition, it is still possible to transfer such securities among participants, what is also happening in reality – despite it is exceptionally atypical situation. Due to this, several discrepancies occur in reporting, so for us is important that the issues after maturity are deleted from the registry of CDCP SR, or are registered in special way if necessary, e.g. as receivables“ ads Oľga Długopolská.

For that reason Centrálny depozitár cenných papierov SR, a.s. calls the issuers to request the central depository without delay to cancel issues immediately after their redemption. Issuers can do so also electronically by submitting respective form in the Portal of CDCP SR dedicated to the issuers.

In a foreign country this process can be facilitated for those issuers, who process redemption of the issue through the central depository. Such issue is then automatically debited from accounts on the maturity date and consequently deleted also from the issuer's registry. „Launch of this service for the issuers is in preparation; we assume the it will be available already in the 1st quarter of the next year. Until then we encourage the issuers to meet their obligation according to the valid legislation,“ ads P. Nagy from CDCP SR.

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Corporate action: an event related to an issuer of security which affects the shareholders, or owners/holders of the security – e.g. general meeting, payment of dividends/yields, tender offer ... Events may be mandatory (e.g. payment of dividend/coupon, issue redemption, stock split, merger, ...) or voluntary (e.g. tender offer) and in such case, the owners and/or holders have a choice. Corporate actions may relate to cash (payment of dividend, coupon or bonuses) or to security (right for subscription of new shares, split, merger etc.).