



PRESS RELEASE

Bratislava, 11 March 2020

Securities – how to inherit them?

The consequences of voucher privatisation have not diminished in Slovakia even today. During the privatisation many citizens invested into shares, more precisely into securities issued by the Slovak businesses, firms or companies. In the course of time a number of securities lost their market value and citizens transferred them to the state without any consideration. However, the remaining securities, often valuable, are still held on accounts in Centrálny depozitár cenných papierov SR, a.s. (CDCP). As the voucher privatisation took place almost a three decades ago, many of us inherited securities acquired during the privatisation. These people ask themselves a sensible question how to acquire such inheritance, but at the same time to avoid neglecting anything.

Act on Securities

The securities can be registered on owner accounts in Centrálny depozitár cenných papierov SR. If owner of the account passes away, CDCP shall not enable the surviving relatives to dispose of securities of the deceased without the proper inheritance procedure. Therefore it is inevitable that this procedure was completed. In the beginning, we would suggest to check whether your deceased relative had the account administered in CDCP. This can be done by yourselves simply by entering the Birth Registry number of the deceased using the web site service of the central securities depository. Even if CDCP is the administrator of the deceased person's account, you will not be provided information on what exact securities are kept on the account. This information is provided by CDCP in the form of the account statement, but only a notary can apply for it. *“Most of the notaries do this automatically, but one cannot rely on that”* an advice made by Mr. Michal Ninis, the Head of Business Services Department and the Department of Complaints and Objections of CDCP SR. *“Therefore we would recommend the inheritors to ask the notary to verify if their deceased relative had an account administered by the central depository. If they did notary should find out what securities were on the account”*. Based on information from the central securities depository the notary shall include the securities to the inheritance procedure.

Inherited securities

In the effective Certificate of Inheritance the notary shall indicate who inherited securities and how. If there is only a small amount of securities or the odd number of securities, the inheritors may agree amongst themselves that only one of them inherits the securities and the others shall receive compensation from him. *„In this context we do not recommend splitting the securities into fractions in co-ownership, since such securities basically lose their value“*, explains Michal Ninis. The experts also recommend to verify thoroughly the real market value of inherited securities. The notary fee for provided services is calculated as a percentage from the total value of inherited property, therefore



also from the value of inherited securities. In case these securities are „overvalued“, you shall pay the notary the fee higher than necessary. You should check the real value of inherited securities and not to rely entirely on the estimate done by the notary. *„The market value of securities can be verified with the securities brokers, in a bank, in the business daily press or on the internet“*, added Michal Ninis. It may happen that the notary evaluates securities included in the inheritance with their nominal value and not the real market value. The nominal value of securities is completely different and in many cases higher than their market value.

Account owner

If securities are included in your effective Certificate of Inheritance, i.e. you inherited them lawfully, you are still not allowed to dispose of them freely. The reason is how a „securities owner“ is stipulated by the Act on Securities. Pursuant to definition the owner is a person who acquired securities and, at the same time, is registered as their owner in the registry of the central depository or of its participant. Accordingly, as a lawful inheritor you have to place an instruction for registration of transition of inherited securities from the account of a testator (i.e. from the account of primary owner) to your account. Such instruction may be placed only with one of the central depository's members; the list of members is published on the web site www.cdcp.sk. In general, in order to execute this act the effective Certificate of Inheritance should be submitted and a written instruction for registration of transition of securities should be placed. It is appropriate to manage this issue in person, but we would recommend to contact the particular member of CDCP first in order to obtain information on the method of placing the instruction as the procedures may vary.

May I lose the inheritance?

It may also happen, that you will get to know about the inheritance of good-quality securities only later on. In this situation the logic question arises - whether there is something that can be done to remedy this. The Civil Code enables to reopen the inheritance procedure. That means the identical procedure should be followed. In case that you additionally discover that your deceased relative owned the valuable securities, they should be included in the Certificate of Inheritance and the inheritor should subsequently submit a request for registration of transition of securities from the account of the deceased to himself. If everything is in place, you can request the issuer to pay the dividends retroactively, provided that this right has not expired. Under the Civil Code there is a three-year expiration period, however many companies set this time period individually, even for longer time.

Securities without value

From 2012 the central depository does not charge the administration fee for accounts of the deceased persons. In this connection we would like to stress that inheritors should send to the address of CDCP a copy of a death certificate without the need to be certified by a notary. The central depository shall only stop charging the fee for account administration upon receiving the death certificate. Now that the administration of account is not charged, but you find out that inherited securities have no market value. What could be done in such case? Leaving the inherited securities in the account may appear to be the easiest solution. However, the expert's advice is to do



exactly the opposite. „Here we would not recommend to keep securities in the account“, says Michal Ninis. „It is better to settle this issue as it may cause problems to the subsequent inheritors in the future“. Securities without the market value can be offered to JELLYFISH or DLHOPIS, the stock brokers that shall resolve the matter for a fee. Alternatively, if securities have some market value, you may decide to sell them. Selling inherited securities is simple, as you can sell them directly from the account of the deceased without the need of previous registration of their transition.

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