



# INVESTOR PROTECTION FUND LEAFLET

(Investor Protection Fund for Clients of Hungarian Investment Firms)

## Version Log

Original Issue Date:	February 2021
Approver(s):	Board of Directors
Owner(s):	eBrókerház Zrt.
Contact Person:	Chief Executive Officer
Classification:	Investor Protection Fund Leaflet
Operational Applicability:	All personnel & clients
Geographic applicability:	Worldwide
Last Revision Date:	July 2021
Last Reviewed Date:	July 2021
Next Review Date:	December 2021
Version:	1.1
Other Languages:	N/A

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## INVESTOR COMPENSATION FUND LEAFLET

(Investor Protection Fund for Client of Hungarian Investment Firms)

### 1. SCOPE AND DISCLAIMER

- 1.1. Access to the products and services offered by Trade GM, including financial instruments, is provided by eBrókerház Befektetési Szolgáltató Zrt. (headquarters: H-1072 Budapest, Rákóczi út 42.), whose activities are regulated by the Hungarian Financial Supervisory Authority III / 73.059 / 2000 and III / 73.059-4 / 2002 and supervised by the Magyar Nemzeti Bank.
- 1.2. The orders given by eBrókerház Befektetési Szolgáltató Zrt., while Trade GM Trader forwards orders placed through the online trading platform to Temple Capital PTY Ltd. (headquarters: 377 Rivonia Boulevard, Rivonia Sandton, 2128, South Africa), AAA Trade Ltd. (headquarters: Victory House ,1<sup>st</sup> Floor, 205 Archbishop, Makarios Avenue, 3030, Limassol) or Interactive Brokers LLC. (headquarters: Two Pickwick Plaza, Greenwich, CT 06830) for execution.
- 1.3. The Company is operating in accordance with the Markets in Financial Instrument Directive 2014/65/EU and its implementing measures (“**MIFIDII**”) and Regulation 2014/600/EU (“**MIFIR**”), as transposed into Hungarian law by Act CXX of 2001 on the Capital Markets (the “**Capital Markets Act**”).
- 1.4. As a regulated Investment Firm under Hungarian law, the Company is a member of the Investor Protection Fund (hereinafter called the “**IPF**”), which has been established pursuant to the I Act CXI of 1996, which contains a comprehensive set of provisions about the securities market and its institutions (the “**Securities Act**”) and consequent Regulations. When the Securities Act entered into force (on January 1, 1997) it obliged all operating investment providers by the force of statute to establish such an institution of investor protection. As a result, the Investor Protection Fund was set up on April 14, 1997 in line with the provisions of the Securities Act.
- 1.5. With this Leaflet, our objective is to outline in summary the provisions of the law relating to the IPF and the compensation payable to clients under it. Although we have taken every care to ensure that to the best of our knowledge we have given a detailed and accurate description of the provisions of the law, the Company can accept no responsibility or liability as a consequence of any inaccuracies or omission contained in this informative Leaflet, and we recommend our clients interested further in the IPF, to refer directly to the laws governing the IPF.

### 2. GENERAL

- 2.1. The IPF is a private law legal entity, set up with the objective of securing the claims of covered clients against its members through the payment of compensation, which is made subject to the fulfilment of certain preconditions and the existence of a well-founded claim by the claim against a member of the IPF.

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- 2.2. All business organizations which are licensed to engage in covered lines of business by the Hungarian Central Bank are members of the Investor Protection Fund.

### **3. THE OBJECTIVE OF THE IPF**

- 3.1. Compensation serves to mitigate the damages investors may incur due to the incapacity of an IPF member that holds their deposits of securities or money to deliver against their legitimate claim for the same. This risk is not normally associated with investing but it may arise as a result of deficiencies or irregularities in the way the organization of the provider of investment services runs its business. The liability of the IPF to compensate investors is subject to Act CXX of 2001 on the Capital Markets (the “**Capital Markets Act**”).
- 3.2. The objective of the IPF is to secure any claims of covered clients (see against members of the IPF and the main essence of the IPF is to compensate covered clients for any claims arising from the inability by a member of the IPF to fulfill its obligations.

### **4. WHO IS ELIGIBLE FOR IPF COMPENSATION?**

- 4.1. An investor may turn to the IPF for compensation only if the underlying claim is based on a commitment secured by a contract concluded by and between an investor and a member of the Fund to an insured activity and the investment provider fails to deliver the assets (securities or money) which are registered as the holdings of the investor and have been transferred to the possession of the provider under the contract.
- 4.2. The insurance offered by the IPF covers contracts concluded for client order, trading, portfolio management, safekeeping, safe custody, administrating client accounts and securities accounts.
- 4.3. Entities pursuing any of the insured investment service activities and ancillary services, require a license issued by the Hungarian Central Bank (the “**Authority**” or the “**MNB**”). Investment providers, investment fund management companies and financial enterprises are obliged to join the IPF; hence the regulatory license these entities are granted by the supervisory authority implies IPF coverage.
- 4.4. Compensation is only paid if the contract that constitutes the basis of a claim was concluded after joining the IPF (i.e. acquiring membership).
- 4.5. Depending on the provisions in its business rules, an investment provider is required to record contracts in writing or capture them electronically if they are concluded under a written blanket agreement and an investor must support its claim for compensation with the related written contract.
- 4.6. An exclusion clause in the Act CXX of 2001 on the Capital Markets (the “**Capital Markets Act**”) provides that IPF coverage may not be granted to certain legal entities (e.g. institutional investors, local governments); and private individuals, particularly proprietors of an IPF insured investment provider, as well as their immediate relatives.
- 4.7. All investors (legal entities, companies without legal entity and natural persons), other than the persons excluded under law, are eligible for compensation provided that they do not receive their insured claims.

### **5. WHEN DOES THE IPF PAY COMPENSATION?**

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- 5.1. An IPF compensation procedure begins when the Authority initiates the opening of liquidation proceedings against an IPF member or a court order on the liquidation of an IPF member is issued. In this case, IPF shall notify the affected investors of the option to file for compensation in an announcement published on IPF's website and also on the Capital Market Disclosure System ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)), a website operated by MNB.
- 5.2. Naturally, affected parties may also seek information from the company brought under liquidation both on IPF's website and on the one operated by MNB Financial Protection Center (<https://www.mnb.hu/en/financial-consumer-protection-center>).

## **6. FILING FOR COMPENSATION**

- 6.1. Compensation is declared exclusively in response to a claim filed by an investor. To do so, investors can use a standard IPF claims form which is designed for the purpose and is available free of charge. The contract that constitutes the basis of the claim must also be attached.
- 6.2. An Investor may file a claim for compensation within a period of 1 year as of the first day that the claim was made. If justifiable reasons prevent an investor from filing a claim (e.g. long stay abroad, medical treatment, etc.), the investor may do so within 30 days after the obstacles are removed and in that case must also attach the reasons for failing to observe the deadline.

## **7. THE AMOUNT OF COMPENSATION**

- 7.1. If the value of a claim supported by the investment contract corresponds to the data in the records of an IPF member, the IPF ascertains the amount of compensation in line with the corresponding values.
- 7.2. When calculating the amount of compensation due, all of the claims that an investor has arising from the provision of investment services of a member of the IPF must be consolidated.
- 7.3. The IPF provides compensation only in money. The amount of compensation paid against securities is calculated on the basis of the average market price of the securities during a period of 180 days before the first day of liquidation. If stock exchange or over-the-counter trading prices are not available, the Board of Directors of the IPF will determine the price to be used for calculating the compensation and will rely on consultants.
- 7.4. If the conditions precedent to disbursing compensation are satisfied, the IPF compensates investors entitled to compensation for claims up to a maximum amount of one hundred thousand Euro (EUR 100 000) per person and per Fund member on the aggregate. The amount of compensation is calculated at the official MNB rate of exchange in effect on the starting date of the liquidation proceedings.
- 7.5. The amount of compensation paid by the Fund is one hundred per cent (100%) up to one million forints (Ft 1 000 000), and for amounts over the one-million forint (Ft 1 000 000) limit, one million forints (Ft 1 000 000) and ninety per cent (90%) of the amount over one million forints (Ft 1 000 000).

## **8. DEADLINE FOR THE PAYMENT OF COMPENSATION**

- 8.1. If the claimant fills in the claims form as required, attaches the contract that constitutes the basis of the claim, and the records maintained by the respective IPF member are available, the IPF must process the investor's

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application for compensation within ninety (90) days from the date when the application was submitted. An investor that disputes an IPF decision on compensation may take civil action.

- 8.2. Once a claim for compensation is accepted, the IPF must effect payment immediately, but by no means later than ninety (90) days after the affirming of the claim.
- 8.3. The deadline for payment may be extended once by a maximum of further ninety (90) days in justified cases after preliminary approval by the MNB.

## **9. WHAT CAN INVESTORS DO IF THE RECORDS FAIL TO SHOW THEIR CLAIM?**

- 9.1. The IPF effects payment even if the compensation due an investor cannot be ascertained as laid out above, but, is certified by a final court decision. If that occurs, the investor may submit the claim for compensation along with the underlying court decision within ninety (90) days after the decision becomes final and enforceable.
- 9.2. If an IPF member fails to acknowledge a claim made by a customer for compensation, the investor wishing to be compensated must assert its claim by taking civil action before the IPF member is brought under liquidation or during liquidation if the proceedings have started.
- 9.3. Investors may assert the claims that remain unsettled after the procedure for compensation by the IPF in the liquidation proceeding and customer claims have precedence over other creditors' claims for the assets brought under liquidation.

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**10. WHEN DOES THE IPF REFUSE TO PAY COMPENSATION?**

10.1. The IPF may refuse to settle claims for compensation in the following circumstances:

- a) by an investor whose contract was concluded with an organization that was not a member of the IPF at the contract date;
- b) against claims made on the basis of a bank deposit;
- c) if the basis of the claim is the write-off of an investment;
- d) to investors excluded from compensation under Act CXX of 2001 on the Capital Markets (the “Capital Markets Act”);
- e) to investors without an insured contractor with a claim for the delivery of money or securities transferred to the possession of a party other than an IPF member;
- f) to investors not recorded in the register of the IPF member.

**11. IPF CONTACT**

11.1. The IPF can be contacted as follows:

Name: Befektető-védelmi Alap (in English: Investor Protection Fund)  
Address: 1092 Budapest, Köztelek u. 6.  
Mailing address: 1476 Budapest, Pf.: 495.  
Telephone: (+36-1)216-7130, (+36-1)216-7131  
Fax: (+36-1)216-7132  
E-mail: [beva@bva.hu](mailto:beva@bva.hu)

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