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Working Paper The Polish investor compensation system versus EU-15 systems and model solutions

Weidener Diskussionspapiere, No. 14

Provided in Cooperation with: University of Applied Sciences Amberg-Weiden (OTH)

Suggested Citation: Janik, Bogna (2009) : The Polish investor compensation system versus EU-15 systems and model solutions, Weidener Diskussionspapiere, No. 14, ISBN 978-3-937804-16-3, Hochschule für angewandte Wissenschaften Amberg-Weiden (HAW), Weiden i.d.OPf.

This Version is available at: https://hdl.handle.net/10419/56437

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Weidener Diskussionspapiere

The Polish Investor Compensation System Versus EU-15 Systems and Model Solutions

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Diskussionspapier No. 14 Januar 2009

ISBN 978 - 3 -937804 - 16 - 3

The Polish Investor Compensation System Versus EU-15 Systems and Model Solutions

January 2009

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Abstract:

The purpose of a compensation system is the protection of small investors. The system should increase investors' confidence in financial market institutions and, therefore, support financial market stability. The main objective of Compensation System in the EU is adjusting EU member states to Directive ICD requirements. However, compensation systems are not the same in each country. Historical, cultural and social conditions within the EU might differently influence system solutions. The subject of this paper is an attempt to develop a model, based on theoretical and practical considerations, which will capture the development of financial markets and all risks involved. The model should necessarily undergo modifications and adjustments to the needs of developing EU-wide financial markets.

JEL: E22, E44, G21

Keywords: compensation system, safety net, investor protection

Deutsche Zusammenfassung:

Der Anlegerschutz dient dem Zweck, Kleinanleger vor Verlusten zu schützen. Dadurch soll Vertrauen in die Finanzmarktinstitutionen und Finanzmarktstabilität gefördert werden. Der Anlegerschutz in der EU muss der EU-Richtlinie zum Anlegerschutz entsprechen. Bedingt durch historische, kulturelle und soziale Unterschiede sind die Regelungen in den einzelnen Mitgliedsstaaten dennoch unterschiedlich. Im vorliegenden Papier wird der Versuch unternommen, basierend auf theoretischen und praktischen Überlegungen, ein Modell zu entwickeln, mit dessen Hilfe die allgemeine Entwicklung der Finanzmärkte als auch die damit zusammen hängenden Risiken erfasst werden können. Der konkrete Modellrahmen muss vor dem Hintergrund der Entwicklung hin zu einem einheitlichen EU-Finanzmarkt zwangsweise im Zeitablauf modifiziert und angepasst werden.

The Polish Investor Compensation System Versus EU-15 Systems and Model Solutions^{*}

1. Introduction

Contemporary economic integration creates similar, and often the same, conditions for functioning of financial institutions in terms of economy, law and technology. Liberalization of trade and services, as well as free flow of capital, people, technology and ideas, fosters the tendency to unification of business conditions for institutions competing on integrated European markets. The process results in regulations introduced on the domestic level that do not take into consideration the character of financial market and therefore might not secure consumer's interest.

What encourages saving by means of financial instruments is high bonus for risk. Those instruments, apart from accumulating means, are used to transfer risk to investors and to allocate it depending on individual preferences. Lack of investment-related security results from asymmetric information in the relations investor-investor, investor-issuer, investor-intermediary. One of the ways to decrease investor-intermediary institution risk is protecting the investor against insolvency of an institution. This might be realized by means of introducing compensation systems for stock exchange investors. The details of such systems depend on financial market development. They should also take into consideration tendencies for changes on integrated markets (in case of system working in EU countries) and on global markets.

The objective of a compensation system is the protection of small investors against losses in case of investment institution default. This system does not protect the investors against the investment risk; it merely limits market and operational risk which are generated by investment institutions. Limiting the risks by compensation system is realized by means of transfer via obligatory "insurance".

Obligatory membership in a compensation system for system subject, that is investment institutions in EU-27 countries, results from *Investor Compensation Directive 1997/9/EC – ICD*. This Directive obliges all member countries to establish on their territories at least one obligatory system. Partial risk transfer means that the protection concerns only small investors, that is the

^{*} I would like to thank Professor F. Seitz for guidance and numerous useful comments and professor J. Szambelańczyk for help. The paper has been presented at the following conferences: INVEST 2006, Conference of Financial Institutes Łódź 2007, Toruń 2008. The views expressed in the paper are mine and do not necessarily represent those of the Banking School.

ones who are not prepared to estimate independently the condition of the investment institutions. Moreover, only a part of the means lost by investors is compensated.

EU directives define the objective and introduce limitations, but the solutions in the countries are not identical and can function as a specific protection of the domestic financial market. Historical, cultural and social conditions in EU states can influence systems solutions in different ways. EU-12 financial markets are emerging markets if compared to EU-15 standards. Therefore, EU-12 countries should put more pressure on modeling regulations systems, taking into consideration not only a special character of a given country, but EU integration processes as well. Simultaneously, EU-15 states, being aware of the importance of the globalization process and consequently other risks, should also model their investor protection systems.

2. Why should small investors be protected?

Keeping balance on financial markets is necessary for its proper development. Creating the mechanism of protection for the financial services customer and establishing direct protection systems targeted at consumer (i.e. investor compensation system and deposit guarantee system) foster maintaining that balance. They prevent panic and provide the impression of security for participants. Such regulations balance lack of knowledge, experience and specialized advice on the part of the customer. They also alleviate the consequences of the fact that, whilst for professionals what counts is the volume of the turnover, for a consumer fulfilling his needs is most important (Szpringer, 1999, 19).

During the process of taking a decision the consumer takes into account subjective estimation of the reality. While selecting goods or services he implements individual methods which result from his life experience. In doing this, he should behave rationally. According to Kmita "action Z, undertaken by subject X in the conditions of maximal assurance, can be described as rational (from X point of view) only if the result (with specified knowledge of X part) is desired by X" (Kośmicki, 1988, 106). However, current concepts describing consumer's behavior are based on three assumptions which do not confirm the role of rationality. The first one says that consumers do not act in accordance with the rule of economic rationality. The second one maintains that consumers act randomly. The third one – that consumers behavior results from inborn and instilled needs, so they combine conscious and unconscious processes and rational and emotional factors (Lambkin, Foxall, Von Raaij, Heilbrunn, 2001, 23-79). Regardless of the concept accepted, we came to the

question whether anyone should be protected against himself if the decision taken is subjective and reflects the subject's free will? The problem does not concern an individual in the moment when individual behavior can cause undesired social activity such as panic (Sumner, 1995, 23-24). In this situation the security of financial turnover regards the whole of the society.

In the first part, an aim of a compensation system was defined as protection of small investors. Realizing that purpose should maximize the investor's confidence in financial market institutions, especially in times of financial market disruptions. Macroeconomic theories and evidence prove that financial market crises are caused by asymmetric information which leads to moral hazard and adverse selection. Therefore describing those, and other, phenomena such as "free riding" or principal-agent problems, resulting in market failure, is a key issue for further considerations.

Guarantees of financial means and instruments cause a problem of moral hazard because they free investors and depositors from the risk resulting from their undertakings and investment decisions (McDonald, 1996, 7). The source of moral hazard in the system described is consumers' behavior and the key to hazard is financial policy of investment institutions. Investment institutions, having guarantees for financial means and instruments, do not have to care for their financial standing. Therefore, they can undertake more risky investments and their customers, assured about insuring their means, can be more passive. The problem can be limited by introduction of investor's coinsurance which will force them to take into account the financial soundness of an investment institution as well as limiting the insurance level to one accepted in EU countries specified in ratio of investment level to GDP. The influence of moral hazard on the behavior of financial market participants is difficult to measure. On the basis of theoretical analysis we know that it exists but, due to complexity and diversity of financial systems, it is extremely difficult to isolate only one factor such as ensuring the means on investment accounts.

The problem of negative selection exists in situations where insurance is optional and premium is not risk related. Then, the subject generating higher risk takes insurance decisions first and therefore the premium is overestimated. Avoiding the problem of negative selection is possible by means of implementing a formal protection system and simultaneously relating the premium to the risk undertaken. The insurance of financial means of investment accounts might be obligatory by means of legal regulations or "customary rule". This rule is not imposed by legal regulations, but it is required by customers of those institutions or financial market. In the system of deposit guarantees and investor compensations there is a possibility of "free riding". This situation might take place when the systems fund has already been established. The member institutions have already covered expenses, the system has specified financial means and at that moment a newly established institution joins in without making any additional payments. Consequently, it can use all existing means and full security without taking part in establishing the fund. "Free riding" definitely deforms competitiveness. However, it seems the problem is not too significant. It appears only in the systems where the fund is accumulative ex ante. In ex post systems there is no possibility of new institutions avoiding the payments.

Principal-agent problems arise in cases where investors are not able to control the people managing investment institutions who, due to their competence, can allocate the savings in a too risky way and, sometimes, with foul pay in mind. Limited confidence in financial market institutions can result in unwillingness to save and, in extreme cases, in panic. Therefore, it is necessary to establish an institution protecting investors which, in turn, results in new relations between an investor and the protection system. Uncontrolled institutions and their authority can lead to significant increases in the cost of protection systems. Hence, competence and responsibility conflict might arise (Kulawik, 2000, 40-41).

3. Analysis of Investor Compensation Directive 97/9/EC

Regulations contained in the Investor Compensation Directive 97/9/EC are based on a few rules. The most important is the rule of compensation system being obligatory and common. This is clearly specified in art. 2 ICD Directive stating that each member state should supervise introduction and recognition on its territory of one or several investor compensation systems. As a consequence, no investment institutions, having a concession in a member state, can conduct investment operations without being a part of the system. However, member state can cancel the obligation of compensation system membership for loan institution having investment accounts. It happens in the case when the institution is a part of deposit guarantee system and when the protection is on the level as high as one offered by investor compensation system and when information provided to depositors is simultaneously provided to the investors using the protection. However, the directive doesn't state which compensation system is to be introduced into the legal system of the membership state.

The second rule of ICD Directive is establishing the minimum level of compensation for investors. This minimum amount is 20.000 euro, the level of coverage should be no less than 90%. The protection regards investor, which is any person who maintained an account in investment institution in order to conduct investment operations regardless of number of accounts, currency or location in EU. If an account is maintained by two or more persons, each of them is regarded as a separate investor.

The necessity of protection of small investors who maintain investment accounts, and are not prepared for estimating financial conditions of the institution was one of reasons to clarify the definition of an investor. It has been contained in the list of exclusions which specifies groups of investors not entitled to protection. This group contains majority of institutional investors, but also individuals i.e. persons responsible for investment institutions audits.

In compensation system the protection covers not only financial means, but also financial instruments specified in investment accounts. What must be guaranteed is refunding financial means belonging to investors or withdrawal of financial instruments from their investment accounts in accordance with terms of agreement as well as legal regulations. The catalogue of investment instruments entitled to compensation contains the following:

- transferable securities,
- units in collective investment undertakings,
- money-market instruments,
- financial-futures contracts, including equivalent cash-settled instruments,
- forward interest-rate agreements (FRAs),
- interest-rates, currency and equity swaps,
- options to acquire or dispose of any instruments (this category includes in particular options on currency and on interest rates).

Another rule in EU Directive is ensuring the shortest period possible from declared inaccessibility of investment account to compensation realized by the system. This should be executed within three months, at the latest, from the moment the dues are specified. However, there is a possibility to prolong that time to another three months, but only in special cases.

As in the case of guarantee for depositors, ICD Directive acts in accordance with the rule of territoriality. It concerns the investment institutions working within European single passport rule. In this situation investment institutions are obliged to apply the rules of its own country, but in case the level of protection is higher in a host country, investment institution has to balance the difference and apply higher level of protection for investors.

4. Main features of EU – 15 states and Polish compensation system versus ICD Directive

4.1. The location of investor compensation system in safety net.

All member states have a formal compensation system (see Annex 1) which might be public, private or mixed. Majority of member states have private system: Austria, Denmark, Finland, Italy, Ireland, Luxemburg, The United Kingdom and The Netherlands. Some states have public system: Belgium, Poland, Portugal, Sweden. However, Germany and Spain have mixed systems. Member states, except the United Kingdom, have created systems in action to EU Directive. The United Kingdom has created its compensation system earlier. It has been founded on Financial Services Act – FSACT in 1986. Majority of member states have only one official compensation system created by a credit institution or investment firm. Austria, Germany, Ireland, Spain and The Netherlands have more then one system and its type depends on a kind of investment institutions being members of the system.

Austria, Belgium, Denmark, France, Germany, Spain, Sweden, The United Kingdom and The Netherlands have consolidated systems (guarantee system and compensation system). The reason for creation of consolidated system in some countries cannot be specified. Probably, what was significant was the policy of a given country concerning the construction of safety net.

4.2. The level of compensation.

In all systems analyzed a minimal level of compensation has been guaranteed. The level results from ICD Directive and amounts to 20 000 euro per one investor. In Germany, Finland and Ireland the concept of minimum level of coverage has been introduced. Compensation amounts to 90% of means and financial instruments up to 20 000 euro. Some countries guarantee a little bit higher level: Greece (30 000 euro), Portugal (25 000 euro), Sweden (27 000 euro). Belgium, Denmark and France offer separate compensation for means and financial instruments, which results in double investor's protection. In Belgium means and financial instruments are guaranteed up to 20 000 euro, in Denmark – means up to 40 000 euro and financial instruments up to 20 000 euro. In France the amount guaranteed is 70 000 euro for means and the same for financial instruments. France and UK are the examples of countries with exceptionally high compensation limit: France up to 70 000 euro and UK up to 72 000 euro.

4.3. The scope of investors' protection in compensation systems

There are eight EU states which applied the directive by means of enclosing in their regulations the same catalogue of exclusions as in ICD Directive. Denmark and Sweden have most extended protection system, because exclusions concern only persons or enterprises participating in system organization. Finland has applied an extended protection which embraces also a bigger scope of institutional customers. Such a small scale of exclusions in Denmark and Sweden, along with extended protection of institutional customers in Finland, causes doubts regarding pro-consumer character of the solution. The remaining EU states have introduced slight changes concerning the Directive. Point one in the catalogue of exclusions contains the category "other professional and institutional investors". This phrase has resulted in numerous problems for member states. Only in the UK "the investor" has been defined clearly.

4.4. The ways of financing compensation systems

The Directive does not regulate precisely how to finance the system. It mentions only three rules. Rule one – the cost of system maintenance should be on investment institutions. This limits the possibility of using other financial sources. Rule two – the contribution should be in proportion to company engagement, that is, it should be calculated according to the value of means and financial instruments deposited on investment accounts. Rule three – system should be stable in order secure its participants, from extra cost.

In all cases analyzed the cost of the system is on investment institutions. Lawmakers accept making a debt in case the system is overloaded with "urgent payments". Member states are not interested in overloading investment institutions, therefore they do not have reserves for that purpose. In majority of the states the contribution is related to the level of engagement that is the value of means and financial instruments belonging to investors.

Not all member states have the same way of constructing compensation funds. In Austria and Greece level of contribution depends on the level of operational income of investment institution. The Italians simultaneously implement two systems: fixed amount and extra amount related to the operational income, also Germans have two amounts: one is related to the level of engagement in means and financial instruments. It is 0.1% and 1% of engagements, but no less than 50 euro. The other contribution is progressive (0.35%, 1.1%, 2.2%) and related to the volume of investment institution capital, but no less than 300 euro. In France the institution which manages the system

issues certificates which are purchased obligatorily by investment institutions. The certificates have interest rate and annual profit (in case there are no payments) is transferred to investment institutions. Ireland has two independent systems: System A where the contribution is related to the number of customers and System B when the contribution is related to the kind of business conducted. In The Netherlands investor compensation system is aided by supervising institution Securities Board of the Netherlands – SBN. There are returned in several ways-up to 13.5 mln euro the investment institutions (excluding credit institutions) are debited with the amount, in case of exceeding 13. mln euro the credit institutions are also debited.

In the UK Financial Services and Compensation Scheme Ltd – FSCS Ltd does not collect the amount due directly from investment institutions (although it has this possibility) but it debits the institutions supervising the system such as: Financial Services and Compensation Scheme Ltd – FSCS Ltd Personal Investment Authority – PIA Securities and Futures Authority – SFA. Those are self-regulating organizations which collect the amounts due from investment intuitions and the level of contribution is related to the volume of the company. In case of lack of means, lawmaker accepts the possibility of loan amounting to 20 mln GBP.

In Poland all system subjects pay for the system, no more than 0.4% of financial instruments and 0.01% of means maintained in investment accounts per year. These payments are accumulated.

5. Polish system versus model solution

The analysis both theoretical and comparative of working compensation systems allows defining a model which is the best for the system. This model should have the following qualities:

- it should be a formal system in which rules are clear for investors, both domestic and foreign,
- it should be obligatory, for all institutions,
- all investment institutions should be a part of the system,
- it should be a part of safety net,
- a minimum level of protection should be targeted at average investors and prevent moral hazard on the part of investment institutions,
- a target fund should be established in order to ensure solvency and should be accumulative,
- level of contribution related to the risk of the business conducted,
- the option of extra funding, in case of running out of means at disposal.

In the Polish compensation system four out of nine features are in agreement with the model. That is:

- 1. being formal the rules for the system have been specified in the Statute,
- 2. being obligatory participation in the system is obligatory for all subjects mentioned in the Statute,
- protecting small investors the protection limit applied in Polish system (22 000 euro), measured by means of the level of compensation to GDP per capita is 4.85 is one of the highest in EU 15,
- 4. accumulative character of the system.





The remaining features of the model are not present in the Polish system. Therefore it requires modification in several respects.

The first one concerns the system being common. Presently, the subjects of the Polish system are all investment institutions with some exclusions. The analysis of EU-15 systems shows that the

scope of the systems could be more extended and include pension funds, insurance funds and investment funds.

The second one concerns the location in safety net. Polish compensation system is supervised by The National Depository for Securities (KDPW), which does not have qualities of safety net institutions. KDPW is the central institution responsible for the management and supervision of the depository-settlement system in relation to trading in financial instruments in Poland. It means that it conducts central deposit of shares and bonds and carries out settlement of transactions concluded on capital stock exchange. In accordance with EU guidelines KDPW does not perform a role typical for Central Counterparty. However, without any doubt, KDPW has a quasi-CCP role realized by means of numerous settlement procedures (both for cash and shares).

The procedures are as follows: direct supervision of registration system of the transaction participants, settlements realized in Central Bank money and management of the elements which guarantee proper transaction settlement. For example, Settlement Fund is regarded by foreign depository-settlement institutions as an institution meeting strict criteria of safe settlements.

Therefore, depository-settlement institutions and compensation system are competitive in relation to each other on financial market. For that reason compensation system should be separated from KDPW. According to ECB guidelines depository-settlement institutions should be divided into two independent subjects. But even in this case there are no arguments in favor of the compensation system belonging to one of newly formed subject. Establishing an independent settlement chamber is connected with increased responsibility. Such an institution is obliged to be held liable with all its assets for the activity conducted. Therefore it shouldn't manage compensation fund. Similarly, deposit chamber, which has public functions, should manage compensation fund because it doesn't have suitable resources.

The third one regards the way of financing the system which has to provide the means for realizing its purposes. At the same time it will not put extra weight on system subjects and it will prevent "free riders" and negative selection. This solution can be realized by means of various level of compensation, dependent on risk undertaken. Presently, the means for the fund are collected in a flat system and the level of debiting the subject depends on the level of means and financial instruments collected by investors on investment accounts. The value is limited by the rates specified in statute.

The fourth one concerns accumulative possibilities of fund means and establishing its target value. Target fund will allow decreasing the risk coming from lack of solvency. In the Polish system, as well as in majority of EU systems, the target value has not been specified. It results partly from a short time they have been active and, at the same time, there are no objective possibilities to specify target level.

The fifth one regards the possibilities of establishing additional financing of the system from various sources such as: government, and other financial institutions.

The other problem is to create the organizational-financial structure of the system. There are three possibilities (*Variations*). *Variation 1* - establishing an independent entity. *Variation 2* - organizational consolidation with the system of deposit guarantee. *Variation 3* - organizational-financial consolidation with the system of deposit guarantee. *Variation 4* - establishing an independent entity to protect all financial market customers (see Annex 2).

The choice of variation for compensation system model will depend on:

- 1. system changes on EU level
- 2. development of regional capital market
- 3. the level of saturating financial market by banking institutions

The analysis conducted below applies only to Polish conditions. It relies on identification of measurable factors which might influence compensation system and, subsequently, connecting them with four model variations. The measurable factors are as follows:

- 1. capitalization/GDP (**K**)
- 2. the number of investors protected (L)
- 3. the volume of assets belonging to regional compensation funds (A)

They have been presented in three ways: for stable, increasing and decreasing tendency.

description	Mesurable factors	stabiliation [1]	increase [2]	decrease [3]
K	Capitalization/GDP	→	×	/
L	The number of investors protected	\rightarrow	×	/
Α	Assets belonging to regional compensation funds	\rightarrow	×	

The factors were connected with development tendencies: stabilization [1], increase [2], decrease [3], resulting in sequences based on values from the set consisting of three elements which gives 27 variations [K, L, A = 27]. The result was the following space:

$$\Omega = \{ (K_1L_1A_1) (K_2L_2A_2) (K_3L_3A_3) \dots \}$$

For some sets in this space the probability of occurrence equals zero. However, the remaining ones might be treated as more or less probable.

Sets	modification variations
K1,L1,A1	VARIATION 2
K1,L1,A2	probability of occurrence $= 0$
K1,L1,A3	VARIATION 2 or VARIATION 3
K1,L2,A1	probability of occurrence $= 0$
K1,L3,A1	probability of occurrence $= 0$
K1,L2,A2	probability of occurrence $= 0$
K1,L2,A3	probability of occurrence $= 0$
K1,L3,A2	probability of occurrence $= 0$
K1,L3,A3	VARIATION 2 or VARIATION 3
K2,L2,A2	[WARIATION 1 and/or WARIATION 2] or WARIATION 4
K2,L1,A1	VARIATION 2 or VARIATION 3
K2,L2,A1	probability of occurrence $= 0$
K2,L2,A3	probability of occurrence $= 0$
K2,L1,A2	probability of occurrence $= 0$
K2,L3,A2	probability of occurrence $= 0$
K2,L1,A3	probability of occurrence $= 0$
K2,L3,A1	VARIATION 2 or VARIATION 3
K2,L3,A2	VARIATION 2 or VARIATION 3
K3,L3,A3	VARIATION 2 or VARIATION 3
K3,L1,A1	VARIATION 2 or VARIATION 3
K3,L2,A2	probability of occurrence $= 0$
K3,L3,A1	probability of occurrence $= 0$
K3,L3,A2	probability of occurrence $= 0$
K3,L1,A3	VARIATION 2 or VARIATION 3
K3,L2,A3	probability of occurrence $= 0$
K3,L2,A1	VARIATION 2 or VARIATION 3
K3,L1,A2	VARIATION 2 or VARIATION 3

Table 2. Estimating probability of occurrence a	and connecting modification varia	itions
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Analyzing the connection between set model variation, it is possible to apply generalization for three extreme cases.

- 1. when all the measurable factors show stable tendency. In this case *Variation 2* is most feasible,
- when all the measurable factors show increasing tendency. In this case Variation 1 and/or Variation 2 or Variation 4 is most feasible,

3. when all the measurable factors show decreasing tendency. In this case *Variation 2 or Variation 3.*

According to ICD Directive there are no obstacles to consolidate the systems mentioned. In many EU-15 states such a solution has been adopted. In Polish conditions such consolidation means delegating to Bank Guarantee Fund competences connected with constructing and managing compensation system. In favor of consolidation of both systems is the fact that BFG has been a Polish market institution for many years. It has been a pay box and risk minimizer for banking sector. Moreover, majority of investment institution working of the Polish market is connected with BFG in an organizational and capital sense.

Additional argument for consolidation of both systems is financial weakness of compensation system. Polish compensation fund is accumulative and is in progress of collecting funds for withdrawals. Level of contributions made by system subjects is related to investors' assets. Low level of capitalization on Polish stock exchange makes it impossible to accumulate substantial funds. Therefore, sudden withdrawals from the system might result in destabilization and even loss of solvency. In this situation, using BFG could increase solvency of compensation funds.

An option of borrowing funds from financial market should be considered here. This solution for additional financing has been used in many UE states. The level of loan and the person of creditor is specified individually in each of the states.

6. Summary and conclusion

Creating single European market according to Lisbon Strategy whose objective is making the union the most competitive economy in the world. One of the ways to achieve this target is harmonizing regulations of financial services market and aiming at creating indispensable security base for customer of investment institutions, as well as common requirements for all the investment institutions in member states (e.g. *Investor Compensation Directive (ICD)* – 1997/9/EC, *Directive on Markets in Financial Instruments* (MIFiD/ISD2) – 2004/39/EC).

In spite of controversies concerning various concepts of market operation, in majority of developed market economies there are regulations protecting small investors against the loss of the means assigned to investment institutions.

There are other investor protection mechanisms in place, which take the form of specific institutional arrangements or are prescribed by regulation. Moreover, protection mechanisms may

be in place ex ante, thereby reducing the likelihood of failure occurring, or ex post as mentioned previously in my paper. They are mitigating the loss to clients in the event of a failure.

All those regulations, as well as the character of the unified financial services market, create problems concerning the shape of systems in member states for protection of customers on the changing financial market.

In this paper I have tried to present a few options for construction of compensation systems which might establish a foundation for given states.

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	Exclusions from the system				8	Persons mentioned in attachme	number 1 to 97/9/EC Directiv	Means coming from mon	laundering were excluded from t	guarantee. Other institutional investu	were not defined.			Persons mentioned in attachme	number 1 to 97/9/EC Directi	excluding point 4 and 5.	Institutions taking part in organizi the system.	,	Persons mentioned in attachme	number 1 to 97/9/EC Directive wi	few exceptions. Some investors,	called big companies	experienced investors can	excluded from the protection	provided that investment firm a	customer agree.
	System subjects				7	1. Credit institutions and credit	institutions not belonging to	the system from point 2-5	2. Sparkassen	3. Rraiffeisenbanken	4. Volksbanken	5. Hypotekenbanken	6. Investment firms	1. Investment firms		2. Credit institutions	1. Credit institutions	2. Mortgage credit institutions 3. Invesment firms	1. Investment firms	2. Credit institutions						
r catules of the	Connections	with deposit	guarantee	system	6	YES			YES	YES	YES	YES				YES	YES									
	f system		private		5	YES			YES	YES	YES	YES	YES				YES			YES						
	Kinds o		public		4	I								YES												
,	ompensation	Financial	instruments	in euro	3	000								$20\ 000$			20 000		s but no more	000 03						
	Volume of c	Financial	means in	euro	2	20								$20\ 000$			40 000		90% of mean	than 2						
STATES					1		AUSTRIA								BELGIUM		DENMARK			FINLAND						

Annex 1. Features of investor compensation system EU-15 and in Poland

1	2	3	4	5	6	L	8
ED ANCE	70 000	20 000			YES	1. Credit institutions	Persons mentioned in attachment
							Means coming from money
							laundering were excluded from the
							guarantee. Other institutional investors
							were not defined.
	2 %06	20 000	YES			1. Investment firms	Persons mentioned in attachment
GERMANY	90% of	90% of		YES	YES	2. Credit institutions	number 1 to 97/9/EC Directive.
	means but	means but					Means coming from money
	no more than	no more than					laundering were excluded from the
	20 000	20 000					guarantee. Other institutional investors
	30	000		YES		1 Investment firms	Persons mentioned in attachment
GREECE)					number 1 to 97/9/EC Directive, with
							the exclusion of investment firms
							with the limited scope of activity.
					YES	2. Credit institutions	
	90% of mean	is but no more		YES		1. Credit institutions	Persons mentioned in attachment
IRELAND	than 2	20 000				2. Investment firm with a	number 1 to 97/9/EC Directive.
						large scope of activity	Means coming from money
		1		YES		3. Investment firms with a	laundering were excluded from the
						limited scope of activity	guarantee. Other institutional investors
						4. Insurence intermediaries	were not defined.
	20	000				1. Investment firms	Persons mentioned in attachment
ITALY				YES		2. Credit institutions	number 1 to 97/9/EC Directive.
							Means coming from money
					_		laundering were excluded from the
					_		guarantee. Other institutional investors
							were not defined.

													il	
8	Persons mentioned in attachment number 1 to 97/9/EC Directive with the exception of external auditors and their relatives.	Persons mentioned in attachment number 1 to 97/9/EC Directive. Means coming from money laundering were excluded from the guarantee. Other institutional investors were not defined.	Persons mentioned in attachment number 1 to 97/9/EC Directive.		The means of numerous investors are protected. The exclusion	concerns investment firms and laundered means.	Persons mentioned in attachment number 1 to 97/9/EC Directive.	Means coming from money	laundering were excluded from the guarantee. Other institutional investors were not defined.	Persons mentioned in attachment number 1 to 97/9/EC Directive. The	category or other institutional investors was defined by Investor Compensation Scheme Ltd.	Persons mentioned in attachment number 1 to 97/9/EC Directive. Means coming from money	laundering were excluded from the guarantee.	ourg, Oxera Report,
7	 Investment firms Credit institutions 	 Investment firms Credit institutions 	 Investment firms Financial institutions beeing members of stock 	3. Credit institutions	 Investment firms Credit institutions 		1. Investment firms		2. Credit institutions	1. Firm conducting financial activity as defined in	FIIMICIAL SERVICES ACT OF 1986	 Investment firms with a limited scope of activity Credit institutions 		an Communities, L-2985 Luxembo
6	YES			YES	YES				YES	YES				ions of the Europea
5	YES		YES	SE			YES	•		YES				fficial Publicat
4		YES		IX	YES							YES		9, Office for O
2 3	20 000	25 000	20 000		27 000 that is 250 000 SEK		20 000			72 000 euro that is 48 000 pounds (100% up to	ou uou pounds, the rest in 90%)	22 000 (100% up to 3000 euro, the rest in 90%)		al Documents EN 10 02 11 09 at of the national investor con
1	LUXEMBOURG	PORTUGAL	SPAIN		SWEDEN		THE	NETHERLANDS		UNITED	KINGDUM	POLAND		Source: COM(200)81 fine

5, Commission (International Market DG) 20



Annex 2. Variations of organizational-financial model of compensation system

Bisher erschienene Weidener Diskussionspapiere

- 1 "Warum gehen die Leute in die Fußballstadien? Eine empirische Analyse der Fußball-Bundesliga" von Horst Rottmann und Franz Seitz
- 2 "Explaining the US Bond Yield Conundrum" von Harm Bandholz, Jörg Clostermann und Franz Seitz
- 3 "Employment Effects of Innovation at the Firm Level" von Horst Rottmann und Stefan Lachenmaier
- 4 "Financial Benefits of Business Process Management" von Helmut Pirzer, Christian Forstner, Wolfgang Kotschenreuther und Wolfgang Renninger
- 5 "Die Performance Deutscher Aktienfonds" von Horst Rottmann und Thomas Franz
- 6 "Bilanzzweck der öffentlichen Verwaltung im Kontext zu HGB, ISAS und IPSAS" von Bärbel Stein
- 7 Fallstudie: "Pathologie der Organisation" Fehlentwicklungen in Organisationen, ihre Bedeutung und Ansätze zur Vermeidung von Helmut Klein
- 8 "Kürzung der Vorsorgeaufwendungen nach dem Jahressteuergesetz 2008 bei betrieblicher Altersversorgung für den GGF." von Thomas Dommermuth
- 9 "Zur Entwicklung von E-Learning an bayerischen Fachhochschulen-Auf dem Weg zum nachhaltigen Einsatz?" von Heribert Popp und Wolfgang Renninger
- 10 "Wie viele ausländische Euro-Münzen fließen nach Deutschland?" von Dietrich Stoyan und Franz Seitz

- 11 Modell zur Losgrößenoptimierung am Beispiel der Blechteilindustrie für Automobilzulieferer von Bärbel Stein und Christian Voith
- 12 Performancemessung Theoretische Maße und empirische Umsetzung mit VBA von Franz Seitz und Benjamin R. Auer
- 13 Sovereign Wealth Funds Size, Economic Effects and Policy Reactions von Thomas Jost
- 14 The Polish Investor Compensation System Versus EU 15 Systems and Model Solutions von Bogna Janik

