

The Investor Guarantee Scheme

The Swedish Investor Guarantee Scheme is a consumer protection scheme covering securities and deposits which banks and security companies manage at the account of customers. This means that as a customer you may receive compensation from the State if a financial institution which is declared bankrupt is unable to return your assets.

The Guarantee Scheme covers securities and deposits which a financial institution manages when performing so-called investment services for a customer. In this connection, investment services means buying, selling or depositing (in escrow) of securities such as shares, bonds or derivatives.

The Investor Guarantee Scheme was introduced in Sweden in 1999 and is based on an EC Directive. There are similar schemes in the other EU countries and in several countries outside the EU.

The Guarantee Scheme is funded by way of contributions from the participating financial institutions. The Swedish National Debt Office is responsible for paying out the compensation, administering fees and for providing general information about the Guarantee Scheme.

Conditions for obtaining cover under the scheme

- The financial institution must have been declared bankrupt
- You must as a customer be unable to obtain your securities or deposit managed by the financial institution or which the financial institution has accepted in deposit at your account. Such situation may arise if the financial institution has mixed your assets with its own assets due to negligence or fraud.

Size of the compensation

- The State will compensate up to SEK 250,000 per customer and financial institution.
- If more persons have a joint escrow account, each person may receive compensation of the maximum amount.
- The compensation will not be affected by the customer's debt, if any, to the financial institution. Other rules may apply according to foreign deposit guarantee schemes.
- If interest is added according to statutory provisions or an agreement, the customer will also receive compensation for interest added until the date of the bankruptcy order on amounts accepted by the financial institution subject to reporting responsibility (see the below explanation). The maximum compensation including interest added amounts to SEK 250,000.
- If you have your securities with a branch of a foreign financial institution in Sweden, you may receive compensation from the Swedish Investor Guarantee Scheme provided that the financial institution has joined the scheme as a supplement to the guarantee scheme of its home country. In such case, the Swedish State covers any difference between the compensation according to the investor guarantee scheme of the home country and the compensation according to the Swedish scheme of SEK 250,000.

Payment of compensation

As customer, you must present your claim for compensation under the Investor Guarantee Scheme in writing to the Swedish National Debt Office no later than one year after the date of the bankruptcy. When we have received your claim, we will examine whether you are entitled to compensation. In complicated cases this process may be quite extensive. If we find that you are entitled to compensation, the amount in compensation will be paid out no later than two weeks after we have made the decision.

If your securities are in an account with a branch of a foreign financial institution in Sweden the compensation will be paid from the investor guarantee schemes of both countries, provided that the branch has adopted the Swedish Guarantee Scheme as a supplement to the guarantee scheme of the home country and the scheme of the home country does not provide a compensation higher than the compensation under the Swedish Scheme. The entitlement to compensation will not arise until this has been adopted by an authority in the home country of the financial institution in question. The rules governing such payments may vary from country to country. The total compensation cannot exceed SEK 250,000.

What kinds of assets are covered by the Investor Guarantee Scheme?

All types of securities

The Investor Guarantee Scheme covers all types of securities (financial instruments) as defined in the Swedish Securities Market Act (2007:528). The Scheme covers, among other things, shares, bonds, convertible debt instruments, options, forward contracts and mixed products such as index-linked bonds.

Investment fund shares administered by a custodian

In respect of investment fund savings, the Investor Guarantee may become relevant if your investment fund shares are administered by a custodian in e.g. a bank. This means that the financial institution has purchased and manages the investment fund shares on your behalf but in its own name. If the financial institution is declared bankrupt and it turns out that you are unable to have the investment fund shares returned the Investor Guarantee will apply.

Funds subject to reporting responsibility

The Guarantee Scheme also covers funds which the financial institution has accepted subject to reporting responsibility. This may e.g. be amounts which the customer transfers with a view to acquiring securities to a financial institution which has permission to accept deposits from customers in accounts. In such cases the financial institution is under an obligation to keep the funds separated from its own assets and e.g. deposit the funds in a separate account with a bank.

A financial institution is under an obligation to state which assets are covered by the Swedish Investor Guarantee Scheme.

Assets not covered by the Investor Guarantee Scheme

Cash deposits

In the financial institutions which have permission to accept deposits from customers into accounts (all banks, credit institutions and certain securities companies) funds are often deposited into the customer's own account with the financial institution for the purpose of purchasing securities. These funds are covered by the Deposit Guarantee Scheme and not the Investor Guarantee Scheme.

Pension schemes

Securities or funds managed within the framework of individual pensions schemes are also not covered by the Investor Guarantee Scheme.

Non-financial instruments

Lump sum insurance policies and other insurance products are not financial instruments in the sense of the act and are therefore not covered by the Investor Guarantee Scheme.

Loss of market value and the bankruptcy of the issuer

The Investor Guarantee Scheme does not provide compensation for loss arising as a consequence of the bankruptcy of the financial institution that has issued the security. In addition, compensation will not be granted where a security loses value e.g. as a consequence of fluctuations in the currency or stock markets or in case of loss as a result of poor financial advice.

The Investor Guarantee Scheme applies to all customers

The Investor Guarantee Scheme applies to all customers, private individuals (including persons under a legal disability) businesses as well as other legal entities (e.g. bankruptcy estates).

Financial institutions that are members of the Investor Guarantee Scheme cannot, however, receive compensation.

Financial institutions covered by the Investor Guarantee Scheme

Swedish banks, investment funds and securities companies are automatically covered by the Investor Guarantee Scheme if they have been granted permission from the Swedish Financial Supervisory Authority to sell investment services.

A Swedish subsidiary of a foreign financial institution is considered a Swedish financial institution if the subsidiary has been granted permission from the Swedish Financial Supervisory Authority to sell investment services and accept funds subject to reporting responsibility.

A branch of a foreign financial institution from the EEA¹ area in Sweden is covered by a deposit guarantee scheme in its home country. Information about the scheme may be obtained from the financial institution in question. The branches of foreign financial institutions may adopt the Swedish Investor Guarantee Scheme as a supplement to the guarantee scheme of the home country in question.

¹ EEA stands for the European Economic Area. In addition to the EC countries, the EFTA countries Norway, Iceland and Liechtenstein are also included. Switzerland is not part of the EEA, but has adopted a number of agreements with the EC, which means that many of the areas are covered.

The *foreign subsidiary of a Swedish financial institution* in the EEA area and in certain other countries is covered by the investor guarantee scheme applicable in the country in question, provided that the subsidiary has obtained the permissions required in the country in question. Additional information is available from the financial institution in question.

A *branch of a Swedish financial institution* in the EEA area is covered by the Swedish Investor Guarantee Scheme.

At www.insattningsgarantin.se you may find a list of the financial institutions that participate in the scheme. And you can make a search for your financial institution.

Further information

You may find further information at www.insattningsgarantin.se. If you have any general questions for the Investor Guarantee Scheme or the Deposit Guarantee Scheme, please feel free to contact us at ig@riksgalden.se or on telephone no. 08 613 52 00.