

## **Abstract**

### **Protection of Investor on Capital Market**

Investor protection on the capital market is a highly topical subject. The main aim of this dissertation was to confirm or refute the hypotheses presented in the introduction, and in particular to ascertain whether there is sufficient investor protection on the capital market. Besides its introduction and conclusion, the dissertation has five parts which, in turn, are broken down into separate chapters.

At the time the dissertation was being drawn up, there were a number of investment opportunities on the capital market that posed higher or lower risks. As it is difficult for ordinary investors to identify the degree of risk associated with a particular type of investment opportunity, the dissertation aims to describe the level of investor protection linked to the most common types of investment opportunities.

Investment funds are unquestionably the most commonly used investment vehicle. Consequently, these investment instruments are covered in most detail. The dissertation explains the level of investor protection according to the type of investment fund. In particular, this chapter describes investment via mutual funds, as this is the most widespread type of fund in the Czech Republic and across the world. Since a mutual fund is an entity with no legal personality, the dissertation describes the specificities of investors' positions in this entity, their rights, and the separation of the assets of investors, or the mutual fund, from the assets of the investment company, and discusses the relationship between the investment company and the mutual fund if disputes arise in the management of the mutual fund's assets. Besides mutual funds, marginal use is also made of public limited liability companies, specifically ones with variable capital (SICAVs), for investment funds. Because this is a relatively new type of investment fund, the dissertation describes what stands it apart from a conventional public limited liability company, which is a closed-end form of investment fund, and the principles underpinning the operation of a SICAV abroad, where this form of investment fund has more of a tradition.

From the point of view of investor protection, a lot depends on those who provide certain activities in relation to the fund. The dissertation describes conditions for the granting of a permit to provide the services of an investment fund manager, administrator and depository. It assesses the individual requirements with consideration for their importance to investor protection. Finally, it discusses these persons' responsibility – in relation to the

investor – for the activities they carry out for the fund (especially how far and when they are free to act at their own discretion).

The fourth part of the dissertation describes investment services, as these most often result in the realisation of investment opportunities. For investors, the investment service they choose is a crucial factor. Although investment services encompass a relatively broad range, most investors draw on three of them, specifically management, procurement and investment advice. Each of these investment services is linked to a different area of responsibility on the part of the investment service provider, and hence entails a different degree of investor protection. Although all of these investment services may pursue the same objective, i.e. the acquisition of an investment instrument, they differ in the amount of discretion the investment service provider has. However, the higher the rate of discretion ascribed to the provider in choosing an investment instrument, the higher the degree of liability towards the investor.

As investment services, like investment funds, depend heavily on the person providing the investment service, the following chapters describe the entities with whom the investor interacts in the provision of investment services. For the most part, they are securities traders, investment intermediaries and tied agents. There is a description of how these persons qualify or register and what demands are placed on their expertise.

Part Five briefly discusses the compensation (guarantee) schemes used to satisfy an investor's claims against entities operating on the capital market. It highlights compensation cases in which resources from these schemes may be used and emphasises that such compensation schemes do not cover the investor's investment risk.

The sixth – and final – part presents entities operating on the capital market as a supervisor (the Czech National Bank), an out-of-court dispute resolution body (especially the Financial Arbiter), and self-regulatory entities (associations of capital market participants).

Ultimately, the degree of investor protection on the capital market is assessed and found to be sufficient. However, the dissertation does not shirk either from the shortcomings, which are mainly due to the fact that investors are insufficiently versed in financial matters.

## **KEYWORDS**

**protection of investor, investment funds, investment services**