

INVESTOR COMPENSATION FUND

VERSION CONTROL

Policy Owner: Athlos Capital Investment Services Ltd

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1 Introduction

1.1 General information

- 1.1.1 As per the requirements of Directive 97/9/EC of the European Parliament and of the Council on investor compensation schemes, all Member States are required to establish investor compensation schemes within their territory which shall provide cover for investors. The Investor Compensation Fund has been established pursuant to the provisions of Law 144(I)/2007, which has been replaced by Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters.
- 1.1.2 The powers and functions of the Fund are regulated by the provisions of Directive DI87-07 of CySEC for the operation of the Investor Compensation Fund. The object of the Fund is to secure the claims of the 'Covered Clients' (see paragraph 2.2) against the Company (or any other CIF which is a member of the Fund) by the payment of compensation for their claims which arise from the 'Covered Services' (see paragraph 2.3) provided by the Company (or any other CIF which is a member of the Fund), if the conditions for payment have been fulfilled. More details with respect to the conditions which give rise to a compensation can be found in paragraph 2.4.
- 1.1.3 The Company is a member of the Investor Compensation Fund for customers of CIFs and other Investment Firms (IFs) which are not credit institutions, since December 2017.

1.2 Scope and Purpose

- 1.2.1 The Investor Compensation Fund Policy (herein the "**Policy**") applies to the 'Covered Clients' as defined by the Law for claims arising out of the 'Covered Services' as defined by the Law.
- 1.2.2 The purpose of the Policy is to provide adequate information to the Clients of the Company with respect to the cover provided by the Fund, the Covered Clients, the maximum amount of the compensation payable to the Clients for the total of their claims, as well as the preconditions and formalities for the payment of the compensation.

1.3 Legal framework

- 1.3.1 The Policy has been designed taking into consideration the applicable legal framework, as follows:
- Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes (herein the "**EU Directive**").
 - Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of the regulated markets and other related matters (herein the "**Law**").
 - Directive DI87-07 for the operation of the Investor Compensation Fund which replaces Directive DI144-2007-15 for the continuance of operation and the operation of the CIF Investor Compensation Fund and Directive DI144-2007-09 on the General Meeting of the Members of the ICF for clients of IFs (herein the "**Directive**").

1.4 Definitions

- 1.4.1 The following terms shall have the meaning set out herein and in accordance with the provisions of the Law:

"Administrative Committee" is a five-member committee which is responsible for the administration of the Fund. It exercises all the powers and duties determined by the Directive, represents the Fund in and out of court, while it is competent to decide for every act pertaining to its administration, management of its property and the general pursuit of its object, subject to the provisions of the Law and Directive.

"AML Law" means the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended from time to time.

"Applicant" means an Investor who has applied to the Fund for compensation against the Company for the provision of the Covered Services.

- "CIF"** means Cypriot Investment Firm. Established under the provisions of the Law.
- "Client"** means a natural or legal person who has an established Business Relationship with the Company.
- "Covered Clients"** shall mean the Clients of the Company who is covered by the Fund for claims against the Company, arising from the Covered Services which are provided by the Company as per paragraph 2.2.
- "Covered Services"** shall mean the services which the Company provides to its Clients as per paragraph 2.3.
- "CySEC"** means the Cyprus Securities and Exchange Commission, which is the regulatory authority of the Company.
- "Directive"** means Directive DI87-07 for the operation of the Investor Compensation Fund.
- "IF"** means an Investment Firm whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.
- "Investors"** means a natural or legal person who is a client of the Company through an established Business Relationship.
- "Fund"** means the Investor Compensation Fund
- "Law"** means the Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, as amended from time to time.

2 Fund Requirements

2.1 Objective and Scope of application of the Fund

- 2.1.1 The objective of the Fund is to secure the claims of the Covered Clients against the Company through the payment of compensation, provided that at least one of the following preconditions is fulfilled:
- (a) CySEC has determined by Resolution that the Company, as a member of the Fund, is unable, at present, to meet such of its duties as arise from its investor/Clients' claims in connection with the provision of investment services for which the Company is licensed or the ancillary service of Safekeeping and administration of financial instruments for the account of Clients provided that such inability is directly related to its financial circumstances in respect of which there is no foreseeable realistic prospect of improvement in the near future, or
 - (b) A court has, on reasonable grounds directly related to the financial circumstances of the Company, issued a ruling which has the effect of suspending the Investors ability to lodge claims against the Company.
- 2.1.2 The Fund shall pay no compensation in respect of claims arising out of transactions involving individuals convicted of a criminal offense offence for the said transactions, pursuant to the provisions of the AML Law.
- 2.1.3 The Fund shall compensate all Investors of the Company in respect of claims arising out the Covered Services, including Clients of the Company's branches established in Member States. It is noted that the Company has no established branches in any Member States.

2.2 Non-covered Clients

- 2.2.1 The Fund covers the Clients of the Company, with the exception of the following categories:
- (a) Institutional and Professional Investors, such as:
 - i. IFs;
 - ii. Legal entities associated with the Company and in general belonging to the same group of companies;
 - iii. Banks;
 - iv. Cooperative credit institutions;
 - v. Insurance companies;
 - vi. Collective investment organisations in transferable securities and their management companies;
 - vii. Social insurance institutions and funds;
 - viii. Investors categorised by the Company as professionals, upon their request.
 - (b) Supranational institutions, government and central administrative authorities.
 - (c) Provincial, regional, local and municipal authorities.
 - (d) Enterprises who have close ties with the Company.
 - (e) Managerial and administrative staff of the Company.
 - (f) Shareholders of the Company, whose participation directly or indirectly in the capital of the Company amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the Company, as well as persons responsible for the carrying out of the financial audit of the Company as provided by the Law, such as its qualified auditors.
 - (g) Investors having in enterprises connected with the Company and, in general, of the group of companies, to which the Company belongs, positions or duties corresponding to the ones listed in paragraphs (e) and (f).
 - (h) Second-degree relatives and spouses of the persons listed in paragraphs (e), (f) and (g), as well as third parties acting for the account of these persons.
 - (i) Apart from the investors referred paragraph 2.2, any other investors/Clients of the Company responsible for facts pertaining to the Company that have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts.
 - (j) Other firms in the same group.
 - (k) Investors in the form of a company, which due to its size, is not allowed to draw a summary balance sheet in accordance with the Companies Law or a corresponding law of a Member State.

2.3 Covered Services

2.3.1 The Covered Services are the investment and ancillary services offered by the Company as per its license, which include the following:

- (a) Investment Services:
 - i. Reception and Transmission of Orders;
 - ii. Execution of Orders;
 - iii. Investment Advice;
 - iv. Portfolio Management.
- (b) Ancillary Services: Global custody of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.

2.3.2 The Covered Services include the provision of the following Financial Instruments:

- (a) Transferable securities.
- (b) Money-market instruments.
- (c) Units in collective investment undertakings.
- (d) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash.
- (e) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
- (f) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
- (g) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 2.2 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls.
- (h) Derivative instruments for the transfer of credit risk.
- (i) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

2.4 Covered Claims

2.4.1 The Fund covers claims arising due to the Company's failure to:

- (a) Repay the funds owed to the covered clients or belonging to them and held on their behalf in connection with investment operations in accordance with the applicable legal and contractual conditions; or
- (b) Return to covered clients any financial instruments belonging to them and held, managed or administered on their behalf in connection with investment operations in accordance with the applicable legal and contractual conditions.

2.4.2 The amount of the claim of a covered client shall be calculated based on legal and contractual conditions, in particular those to offsetting and counterclaims, that are applicable to the assessment on the date of the initiation of the compensation payment procedure as detailed in paragraph 3.1.1 of this Policy, of the amount

of the funds or value determined with reference to the market value, where possible, of the financial instruments belonging to the covered client and which such funds or instruments, the Company fails to repay or return, respectively.

3 Compensation Procedure

3.1 Initiation of the Compensation Payment Procedure by the Fund

- 3.1.1 The Fund initiates the compensation payment procedure when any of the following conditions are fulfilled:
- (a) CySEC has ascertained that, a member of the Fund does not appear, for the time being, able to fulfil its obligations arising from its clients' claims, for reasons that are directly related to the financial situation of the member of the Fund, and is not expected to become able to do so in the near future; or
 - (b) A court of the Republic, based on reasons that are directly related to the financial situation of a member of the Fund, has issued a ruling, which has the effect of suspending the ability of the Covered Clients, to lodge claims against that member of the Fund for the satisfaction of their claims.
- 3.1.2 Upon consideration of the conditions laid out in paragraph 3.1.1 of this Policy, CySEC issues a decision for the initiation of the compensation payment process by the Fund within a reasonable time and publishes all the relevant details on its website.

3.2 Procedure of invitation to submit applications

- 3.2.1 Upon the issuance of a decision by CySEC to initiate the compensation payment process, the Fund publishes as soon as possible, in at least two newspapers of national coverage, an invitation to the Covered Clients to submit applications for compensation, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.
- 3.2.2 The publication contains at least the following:
- (a) the name, address of the headquarters and trading name of the involved member of the Fund;
 - (b) the deadline for the submission of compensation applications, which cannot be less than five months and not greater than nine months from the date of initiation of the compensation payment process or the date of its publication;
 - (c) the mode of submission of applications; and
 - (d) the address and/or electronic address at which the Covered Clients can obtain the relevant application.
- 3.2.3 CySEC publishes the information of paragraph 3.2.2 without delay on its website.
- 3.2.4 In exceptional and justified cases, followed by an announcement of the Fund, published in at least two newspapers of national coverage, the Fund may extend the deadline for the submission of compensation applications up to three months, provided that the Fund has obtained the previous approval by CySEC. The relevant announcement shall also be published by CySEC on its website.

3.3 Late submission of applications

- 3.3.1 In case a Covered Client was not in a position to submit such application within the deadline, the deadline shall not apply thereof, if conditions occurred that prevented the observance of the deadline for the submission of a compensation application or for the collection and submission of the information required.
- 3.3.2 A Covered Client who submits an application late to the Fund for the payment of compensation, is obliged to submit, in addition to the information forming the necessary minimum content of the application, a solemn declaration stating the reason for which he was not in a position to claim compensation on time and where necessary attach any supporting evidence to that end.

3.4 Claim Application Form

- 3.4.1 The Fund issues a claim form setting out the information and supporting evidence required in order to evaluate the claims of covered investors.
- 3.4.2 Without prejudice to the provisions of paragraph 3.4.1, the Fund may request additional information where deemed necessary.

3.5 Procedure for the recording and evaluation of Claims

- 3.5.1 The Fund may record and assess the submitted claims, either internally or by designating at least one expert in capital market issues and at least one lawyer with knowledge on capital market issues, who after initially

reviewing the compensation payment conditions, shall evaluate the applications and recommend to the Administrative Committee their acceptance or rejection, in whole or in part.

- 3.5.2 In case of disagreement between the designated experts, each of them will submit a separate recommendation.
- 3.5.3 The remuneration of the designated experts will burden the Company, and if necessary or essential will be paid by the Fund using funds accumulated from the payment of annual fees to cover operational expenses payable by the Company.
- 3.5.4 The persons appointed for the evaluation of the applications, may:
 - (a) Request from the Company to express a justified opinion on the grounds of the claims alleged by the claimants, within a specified deadline, in order to evaluation the applications;
 - (b) In case the Company does not submit its justified opinion on time, the designated experts shall proceed with the evaluation of the applications; and
 - (c) Determine the amount of the compensation for each claimant.
- 3.5.5 The designated experts have full access to the records of the Company for which the Fund has been activated, kept electronically or otherwise, in order to carry out their work.

4 Payment Conditions

4.1 Compensation Payment Conditions

- 4.1.1 The payment of compensation by the Fund shall entail the following:
- (a) The initiation of the compensation payment procedure;
 - (b) The existence of a valid claim by a covered client against the Company, which derives from an investment operation;
 - (c) The submission of an application form;
 - (d) That the claims do not arise from transactions for which there has been a criminal conviction for money laundering as defined in the Prevention and Suppression of Money Laundering Activities Law of 2007;
 - (e) There are no pending criminal proceedings against the covered client for money laundering as defined in the Prevention and Suppression of Money Laundering Activities Law of 2007;
 - (f) The right of a covered client has not been extinguished under the Limitation of Offenses Act.

4.2 Determination of the amount of the compensation payable

- 4.2.1 The calculation of the compensation payable shall arise from the sum of the total established claims of the Covered Client against the Company, arising from all Covered Services provided by the Company and regardless of the number of accounts of which it is the beneficiary, the currency and place where such services are provided within the European Union.
- 4.2.2 The Fund shall provide coverage for the claims referred to in paragraph 2.4, which applies for the total claims of the Covered Client against the Company and shall be defined as the lower of 90% of the cumulative Covered Claims of the Covered Client and €20,000.
- 4.2.3 In the case of joint investment businesses:
- (a) In the calculation of the coverage provided for in paragraph 4.2.2 the share attributable to each Covered Client shall be taken into account;
 - (b) The claims shall be allocated equally amongst Covered Clients, unless there exist special provisions and without prejudice to paragraph (c), each Covered Client is provided with separate coverage pursuant to the provisions of paragraph 4.2.2;
 - (c) Claims relating to joint investment businesses to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, which has no legal personality, shall, for the purpose of calculating the coverage provided for in paragraph 4.2.2 be aggregated and treated as if arising from an investment made by a single investor.
- 4.2.4 Where a Covered Client is not the ultimate beneficiary of the funds or financial instruments held by the Company:
- (a) Compensation shall be paid to the ultimate beneficiary if his identity is or may be established prior to the date of the determination or ruling referred to in paragraph 3.1.
 - (b) If the ultimate beneficiaries are more than one, in the calculation of the coverage provided for, the share attributable to each one of them according to the arrangements regulating the management of the funds or financial instruments shall be taken into account. Paragraph 4.2.4 does not apply to undertakings for collective investments.
- 4.2.5 Compensation shall be paid in Euro, and where the funds and/or financial instruments are expressed in a currency other than the Euro, the exchange reference rate of the said currency against the Euro fixed by the European Central Bank, at the end of the day on which the compensation payment procedure was activate, shall be used.

4.3 Decision on submitted applications

- 4.3.1 The Administrative Committee shall examine the applications before it and decide whether the conditions of paragraph 4.1 are fulfilled or not.

- 4.3.2 The Administrative Committee shall reject an application where the claimant has used false or misleading means in order to secure the payment of the compensation.
- 4.3.3 When examining the applications, the Administrative Committee shall take into account the recommendations of the persons appointed for the evaluation of the applications as per the provisions of paragraph 3.5.

4.4 Unjustifiably paid compensation

- 4.4.1 The Fund may require at any time from a Covered Client to return the compensation paid to it, if it subsequently establishes that there has been a reason for the rejection of the application in accordance with the provisions of the Directive.

4.5 Announcement of the Fund's decision

- 4.5.1 Upon completion of the procedure before the Administrative Committee, the Fund shall:
- (a) Issue a decision listing the Covered Clients of the Company, determining the amount of money each one of them is entitled to receive, and communicate it to CySEC and the Company within five (5) working days from its issue;
 - (b) The said decision shall also list those clients to whom no compensation shall be paid and the reasons for this;
 - (c) Communicate to each affected clients its decision the soonest possible from its issue.
- 4.5.2 The claimant to whom the Fund communicates its decision, may, in case of disagreement, submit an objection in writing to CySEC, within one month from the date on which the decision was notified, justifying the objection sufficiently. The objection shall be submitted at info@cysec.gov.cy and entitled "Objection to the decision of the ICF".
- 4.5.3 CySEC in the context of examining an objection may:
- (a) Request from the Fund and/or the Company and/or the claimant to submit information and particulars;
 - (b) Conduct any investigation.

4.6 Deadline and procedure for the payment of compensation

- 4.6.1 The Fund shall pay each Covered Client the compensation he is entitled to, within three (3) months from the date that the decision was communicated to the Covered Client.
- 4.6.2 The payment of the compensation by the Fund shall be deposited to a bank account of the Covered Client, as designated by the said client in writing via the claim application form (paragraph 3.4).
- 4.6.3 In extraordinary and justified circumstances, the Fund may request from CySEC an extension of the deadline provided for in paragraph 4.6.1. Such extension may not exceed three (3) months.

4.7 Effects of the payment of compensation

- 4.7.1 The payment of any compensation by the Fund entails ipso jure subrogation of the Fund to the rights of the compensated Covered client against the Company during the liquidation procedure of the Company for an amount equal to the compensation payable thereto.

5 Other requirements

5.1 Review of the Policy

- 5.1.1 The Policy shall be reviewed by the Compliance Function at least on annual basis or sooner in response to any change in the legal and regulatory framework affecting this Policy. Any persons which are directly affected by any changes in the provisions of this Policy shall be informed accordingly.
- 5.1.2 The Board of Directors shall be responsible for reviewing the amendments proposed by the Compliance Function and approving any changes to the Policy.
- 5.1.3 The Internal Auditor shall be responsible for ensuring that the Company acts in line with the provisions of this Policy.