



SUMMARY OF SAFEGUARDING OF CLIENTS ASSETS

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Policy Owner:	Athlos Capital Investment Services Ltd		
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Date of approval by the Board of Directors:	3 rd January 2021		
Review date	Reviewed conducted by	Comments and suggestions for amendments	Amendments Approved and adopted by the Board of Directors
10/09/2019 (V.01/2019/09)	Compliance Function	The Policy has been updated as part of the overall update of the IOM	30/09/2019
04/09/2020 (V.01/2020/09)	Compliance Function	Policy amended to include new procedures for retail clients	03/01/2021



TABLE OF CONTENTS

- 1. SCOPE AND PURPOSE 4
- 2. LEGAL FRAMEWORK..... 4
- 3. PROVISIONS UNDER THE LAW..... 4
- 4. USE OF FINANCIAL INSTRUMENTS..... 6
- 5. FINANCIAL INSTRUMENTS..... 7
- 6. CLIENTS’ FUNDS..... 8
- 7. REVIEW AND APPROVAL 9



1. SCOPE AND PURPOSE

- 1.1. The purpose of the Safeguarding of Client Assets Policy (herein the "Policy") is to set out the arrangements established by the Company to safeguard the ownership rights of its clients, especially in the event of the Company's insolvency as well as to prevent the use of clients' financial instruments for its own account.
- 1.2. The provisions of this Policy apply to the business units within the organization who are responsible for the record-keeping of funds and financial instruments.

2. LEGAL FRAMEWORK

- 2.1. The Policy has been established taking into consideration the applicable legal framework, as follows:
 - 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 (herein the "**Law**");
 - Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (herein the "**Reg (EU) 2017/565**");
 - Directive DI87-01 for the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (herein "**Directive DI87-01**");
 - Directive regarding the operation of the Investors Compensation Fund of the Cyprus Securities and Exchange Commission (herein the "**ICF Directive**").

3. PROVISIONS UNDER THE LAW

- 3.1. Pursuant to Art. 17(8) of the Law, the Company must, when holding financial instruments belonging to clients, make adequate arrangements so as to safeguard the ownership rights of clients, especially in the event of the Company's insolvency, and to prevent the use of clients' financial instruments on own account except with the client's express consent.
- 3.2. The Company must, when holding funds belonging to clients, make adequate arrangements to safeguard the rights of clients and, except in the case of credit institutions, to prevent the use of clients funds for its own account.



- (a) In this respect, the Company will:
 - (b) Keep such records and accounts as are necessary to enable the Company at any time and without delay to distinguish assets held for one client from assets held for any other client and from its own assets.
 - (c) Maintain records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients and that they may be used as an audit trail.
 - (d) Conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held
 - (e) Take the necessary steps to ensure that any client financial instruments deposited with a third-party, are identifiable separately from the financial instruments belonging to the Company and from financial instruments belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection.
 - (f) Take all necessary measures to ensure that the client funds deposited in a central bank, a credit institution or a bank authorized in a third country or a qualifying money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the Company.
 - (g) Apply all necessary organizational measures to minimize the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record keeping or negligence.
- 3.3. The Company shall make information pertaining to its clients' financial instruments and funds readily available to the following entities: competent authorities, appointed insolvency practitioners and those responsible for the resolution of failed institutions. The information to be made available shall include the following:
- (a) related internal accounts and records that readily identify the balances of funds and financial instruments held for each client;
 - (b) where client funds are held by investment firms, details on the accounts in which client funds are held and on the relevant agreements with those firms;
 - (c) where financial instruments are held by investment firms, details on the accounts opened with third parties and on the relevant agreements with those third parties, as well as details on the relevant agreements with those investment firms;



- (d) details of third parties carrying out any related (outsourced) tasks and details of any outsourced tasks;
- (e) key individuals of the firm involved in related processes, including those responsible for oversight of the firm's requirements in relation to the safeguarding of client assets; and
- (f) agreements relevant to establish client ownership over assets.

4. USE OF FINANCIAL INSTRUMENTS

- 4.1. The Company is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by the Company on behalf of a client, or otherwise use such financial instruments for its own account or the account of any other person or client of the Company, unless both of the following conditions are met:
- (a) the client has given his prior express consent for the use of the instruments on specified terms, as evidenced expressly and in writing and affirmatively executed by signature or in an equivalent manner, and
 - (b) the use of that client's financial instruments is restricted to the specified terms to which the client consents.
- 4.2. The Company is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for its own account or for the account of any other person unless, in addition to the conditions set out in sub-paragraph 1, at least one of the following conditions is met:
- (a) each client whose financial instruments are held together in an omnibus account must have given prior express consent in accordance with point (a) of sub-paragraph 1;
 - (b) the Company must have in place systems and controls which ensure that only financial instruments belonging to clients who have given their prior express consent in accordance with point (a) of sub-paragraph 1 are used.
- 4.3. The Company's records include details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used belonging to each client who has given his consent, so as to enable the correct allocation of any loss.



- 4.4. The Company shall take appropriate measures to prevent the unauthorised use of client financial instruments for its own account or the account of any other person such as:
- (a) the conclusion of agreements with clients on measures to be taken by the Company in case the client does not have enough provision on its account on the settlement date, such as borrowing of the corresponding securities on behalf of the client or unwinding the position;
 - (b) the close monitoring by the Company of its projected ability to deliver on the settlement date and the putting in place of remedial measures in the event that this cannot be done; and
 - (c) the close monitoring and prompt request of undelivered securities outstanding on the settlement day and beyond.

5. FINANCIAL INSTRUMENTS

- 5.1. The Company shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and global custody of those financial instruments prior to depositing clients' financial instruments into an account(s) with a third party.
- 5.2. In particular, the Compliance Function shall take into account the expertise and market reputation of the third party, as well as any legal requirements related to the holding of those financial instruments that could adversely affect clients' rights, when performing due diligence.
- 5.3. The Company shall ensure that the third party selected for depositing of the clients' financial instruments, is established in a jurisdiction where the global custody of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision.
- 5.4. As a principle, the Company shall not deposit financial instruments with a third party established in a third country that does not regulate the holding and global custody of financial instruments. Where there is change in the circumstances and the Company decides to do so, it shall only do so if the following conditions are met:
- (a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party established in that third country;



- (b) where the financial instruments are held on behalf of a professional client, that client has requested the CIF in writing to deposit them with a third party in that third country.

6. CLIENTS' FUNDS

- 6.1. The Company shall upon receiving any client funds, promptly place those funds into one or more accounts opened with any of the following:
 - (a) Central bank;
 - (b) Credit institution;
 - (c) Bank authorised in a third country;
 - (d) Qualifying money market fund.
- 6.2. Where the Company does not deposit client funds with a central bank, it shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds and take into consideration the need for diversification of these funds as part of the required due diligence.
- 6.3. In particular, the Compliance Function shall take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect the clients' rights.
- 6.4. The Company may deposit financial instruments of clients with a third party in a third country, only if the third party is in a jurisdiction where the global custody of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision.
- 6.5. The Company will not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and global custody of financial instruments for the account of another person unless one of the following conditions is met:
 - (a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party in that third country;



(b) where the financial instruments are held on behalf of a professional client, that client requests the firm in writing to deposit them with a third party in that third country.

6.6. In case the Company wishes to proceed with placing clients' funds with a qualifying money market fund, it shall ensure that the clients have provided their explicit consent and shall inform them that the funds placed with a qualifying money market fund will not be held in accordance with the requirements for safeguarding client funds as set out in Directive DI87-01.

7. REVIEW AND APPROVAL

7.1. The provisions of this Policy shall be reviewed on an annual basis by the Compliance Function.

7.2. Where applicable the Compliance Function shall provide recommendations and/or proposed amendments to the Board of Directors for approval.