



# **INVESTOR COMPENSATION FUND** **POLICY**

## **I. INTRODUCTION**

In line with the provisions of Directive 97/9/EC and section 15 of the Investment Services Law L 87(I)/2017 (the “Law”), I.F. GREENFIELDS WEALTH LTD (hereafter the “Company”) is a member of the Investor Compensation Fund (hereafter the “Fund” or “ICF”) for Customers of Cyprus Investment Firms (CIFs), which was established under the Investment Firms Law 2002 as amended and replaced by Law 87(I)/2017 and operates under the provisions of Directive DI87-07 for the operation of the ICF.

The Fund constitutes a private legal entity and its administration is exercised by an Administrative Committee of five members, who are designated for a three-year term. The objective of the Fund is to secure the claims of the covered clients against the members of the Fund by the payment of compensation for their claims arising from the covered services provided by its members, so long as failure by the member to fulfill his/her obligations has been ascertained.

It is a legal obligation for CIFs and other IFs, which are not banks, to subscribe to the Fund.

## **II. LEGAL FRAMEWORK**

- Law 87(I)/2017 (hereinafter referred to as the “Law”);
- Directive DI87-07 of the Cyprus Securities and Exchange Commission for the Operation of the Investors Compensation Fund, as amended from time to time.

## **III. NON-COVERED CLIENTS**

The Fund covers the clients of the Company, except those belonging into the following categories:

- 1) Categories of institutional and professional investors:
  - a) IFs
  - b) legal entities associated with the member of the Fund and, in general, belonging to the same group of companies
  - c) banks



- d) cooperative credit institutions
  - e) insurance companies
  - f) collective investment organizations in transferable securities and their management companies
  - g) social insurance institutions and funds
  - h) investors characterized by the member as professionals, upon their request, pursuant to the provisions of paragraph B of the Second Schedule of the Law.
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- 2) Supranational institutions, government and central administrative authorities.
  - 3) Provincial, regional, local and municipal authorities.
  - 4) Enterprises that have close ties with the Fund member as the term «close ties» is construed in Article 2(1) of the Law.
  - 5) Managerial and administrative staff of the member of the Fund.
  - 6) Shareholders of the member of the Fund, whose participation directly or indirectly in the capital amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the member of the Fund, as well as persons responsible for the carrying out of the financial audit of the member of the Fund, such as its qualified auditors.
  - 7) Investors having enterprises connected with the member of the Fund and, in general, of the group of companies, to which the member of the Fund belongs, positions or duties corresponding to the ones listed in paragraphs (5) and (6)
  - 8) Up to second-degree relatives and spouses of the persons listed in paragraphs (5), (6) and (7), as well as third parties acting on account of these persons.
  - 9) Investor-clients of a Fund member responsible for facts pertaining to the member of the Fund that have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts
  - 10) Other firms in the same group.
  - 11) 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.

*In the cases of paragraphs 5), 6), 7), 8) and 10), the Fund shall suspend the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.*



## IV. COVERED SERVICES

Covered Services are the following investment services, for the provision of which the Company is authorised under its licence number 342/17, as issued by the Cyprus Securities and Exchange Commission (the Commission) and as listed in the electronic register maintained by the Commission on its website:

- Reception and transmission of orders in relation to one or more of the financial instruments
- Execution of orders on behalf of clients

According to the Client Agreement signed by the Customer, the Company may offer at its discretion the following covered ancillary service to the Customer:

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Foreign exchange services where these are connected to the provision of investment services

Financial Instruments in relation to which the Company is authorised to provide investment services:

- Transferable securities
- Money-market instruments
- Units in collective investment undertakings
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
- 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)
- 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
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 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
- Derivative instruments for the transfer of credit risk



- Financial contracts for differences
- 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.

## **V. COMPENSATION OF COVERED CLIENTS AND PAYMENT FORMALITIES**

### **i. Failure of a member of the Fund to fulfill obligations toward its investors**

The Fund compensates the covered clients for claims arising from the covered services provided by its members, as long as failure by the member to fulfill his/her obligations has been ascertained notwithstanding a relevant obligation by the member of the Fund in accordance with the legislation and the terms which govern his/her agreement with the covered client and regardless of whether the said obligation of the member of the Fund is based on the agreement or on wrongdoing.

### **ii. Covered Claims**

The Fund covers claims arising due to a member's failure:

- to repay the funds owed to covered clients or belonging to them and held on their behalf in connection with investment operations, or
- to 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 legal and contractual conditions applicable.

The amount of the claim of a covered client shall be calculated based on legal and contractual conditions, in particular those relating to offsetting and counterclaims, that are applicable to the assessment on the date of the initiation of the compensation payment procedure of the amount of the funds or value determined with reference to



the market value of the financial instruments belonging to the covered client of the Fund member and which the Fund member fails to repay or return, respectively.

### **iii. Preconditions for the initiation of the compensation payment procedure by the Fund**

The Fund shall initiate the compensation payment procedure when:

(a) the Commission has determined that a member appears, for the time being, for reasons directly related to its financial circumstances, to be unable to meet its obligations arising out of investors' claims and has no early prospect of being able to do so.

(b) a Court of the Republic has made a ruling, for reasons directly related to a member's financial circumstances, which has the effect of suspending investors' ability to make claims against him/her .

The Commission shall issue its decision for the initiation of the compensation payment procedure by the Fund within a reasonable time and shall publish the relevant information on its website.

### **iv. Procedure relating to the invitation of covered clients to submit applications**

Upon initiation of the compensation payment procedure, the Fund shall publish as soon as possible in at least two national newspapers, an invitation to submit applications for compensation, designating the procedure for the submission of the relevant applications, the deadline for their submission as well as their content as defined below.

The publication contains at least:

(a) the name and address of the headquarters and the trade name of the involved Fund member;

(b) the deadline for the submission of the compensation applications, which cannot be less than five months or more than nine months from the date of initiation of the compensation payment procedure, or from the date of its publication;

(c) the mode of submission of applications; and

(d) the address and/or website through which covered clients may obtain the relevant claim form provided by the Fund.



The publication shall be communicated immediately to the Commission, which shall post the publication on its website.

In exceptional and justified cases, the Fund, with an announcement thereof, may extend the deadline for the submission of compensation applications up to three months, provided it obtains the approval of the Commission. The said announcement shall be published by the Fund in at least two national newspapers, and the Commission shall publish it on its website.

#### **v. Late submission of applications**

In case a covered client was not in a position to submit such application within the deadline specified in Section V, Point iv, the deadline shall not apply, 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.

In such cases, a covered client submitting a compensation application after the deadline, shall submit, in addition to the information forming the content of the application, a declaration explaining the reason, if any, for which he/she was not in a position to claim compensation in time, attaching all supporting evidence to that end.

#### **vi. Content of compensation applications submitted to the Fund**

The Fund shall issue a claim form setting out the information and supporting evidence required in order to evaluate the claims of covered investors.

The compensation applications of covered clients with which they make their claims against a member of the Fund are submitted to the Fund in writing. The compensation applications must include, inter alia, the following:

- the name of the claimant
- the address, telephone and fax numbers as well as any email address of the claimant
- the client code that the claimant had as the member of the Fund;
- the particulars of the covered services agreement between the Fund and the claimant;
- the type and amount of the alleged claims of the claimant; and
- the exposition of the particulars from which the alleged claims of the claimant and their amount are derived.

The Fund may ask for more information to be included in the compensation application where deemed necessary.



## **vii. Procedure relating to the recording and evaluation of the alleged compensation claims**

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 (referred below as persons involved in the review and evaluation of compensation claims), who after initially reviewing the compensation payment conditions as specified below in Point viii, shall evaluate the said applications and recommend to the Fund's Administrative Committee their acceptance or rejection, in whole or in part.

In case of disagreement between the persons involved in the review and evaluation of the compensation claims, each one of them shall submit a separate recommendation. The remuneration of the persons referred to in the above sentence, shall be agreed between the Fund and the said persons, shall burden the Fund member involved and, and where necessary, shall be paid by the Fund using funds accumulated from the payment of fees to cover operation expenses.

The persons involved in the review and evaluation of the compensation claims:

(a) request from the Fund member to express a justified opinion on the grounds of the claims alleged by the claimants, within a specific time limit, in order to evaluate the applications.

(b) in case the Fund member does not submit its justified opinion on time, the persons involved in the review and evaluation of the compensation claims, shall proceed with the evaluation of the applications.

(c) determine the amount of the compensation for each claimant.

The persons involved in the review and evaluation of the compensation claims shall have full access to the records of the member for which the Fund has been activated, kept electronically or otherwise, in order to carry out their work.

## **viii. Compensation payment conditions**

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 Fund member, which derives from an investment operation;

(c) the submission of a duly completed application form as prescribed in the Directive DI87-07;

(d) 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 said 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;

## **ix. Determination of the amount of the compensation payable**

The calculation of the compensation payable shall arise from the sum of the total established claims of the covered client against the Fund member, arising from all covered services provided by the member and regardless of the number of accounts of which he/she is the beneficiary, the currency and place where such services are provided within the European Union.

To ascertain the claims of a claimant against a member of the Fund, as well as any counterclaims of the member of the Fund against the claimant, the books kept and the particulars issued by the member of the Fund as well as the supporting evidence produced by the claimant are taken into consideration.

The amount of the compensation payable to each covered client is calculated in accordance with the legal and contractual terms governing the relation of the covered client with the member of the Fund, subject to the set-off rules applied for the calculation of the claims between the covered client and the member of the Fund.

The valuation of the financial instruments pertaining to the compensation payable to the covered client shall be carried out on the basis of their market value on the day of their calculation.

***The Fund shall provide coverage for the claims referred to in Section V, Point ii of the present Policy, which applies for the total claims of the covered client against a Fund member and shall be defined as the lower of 90% of the cumulative covered claims of the covered client and €20.000.***

This means that, if the claim is for €50.000, the coverage will be €20.000, due to the fact that 90% of this claim, equals to €45.000. However, if the claim is for €10.000, the coverage will be €9.000 (Min (€10.000 X 90%, €20.000) = €9.000).

In the case of investment business carried out for the account of two or more persons or over which two or more persons have rights that may be exercised by means of the signature of one or more of those persons ("joint investment business"):





- i. The share attributable to each covered investor is taken into account in the calculation of the abovementioned coverage;
- ii. The claims are allocated equally amongst covered investors, unless there exist special provisions, each investor is provided with separate coverage;

Claims relating to joint investment business 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 mentioned above, be aggregated and treated as if arising from an investment made by a single investor. However, further to that it needs to be noted that the Company is not currently offering any joint trading accounts to its clients / potential clients.

Where a covered client is not the ultimate beneficiary of the funds or financial instruments held by the member:

- a. compensation shall be paid to the ultimate beneficiary if his/her identity is or may be established prior to the date of the determination or ruling
- 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. This section shall not apply to undertakings for collective investments.

Compensation shall be paid in Euros, 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 activated, shall be used.

## **x. Decision of the Administrative Committee on submitted applications**

The Administrative Committee shall examine the applications before it and decide whether the compensation payment conditions, as specified in Point viii above, are fulfilled or not.

The Administrative Committee rejects the application in case the claimant does not fulfill the above conditions or, if at the Administrative Committee's discretion, there exists at least one of the following reasons:

- The claimant used fraudulent means in order to secure the payment of compensation by the Fund, especially if he/she knowingly submitted false evidence;



- The damage suffered by the claimant substantially derived from concurrent negligence or offence on his/her behalf in relation to the damage suffered and to its underlying cause.

The Administrative Committee during the examination of the applications takes into consideration the recommendations of the persons involved in the review and evaluation of the claim and decides on the applications submitted to the Fund, determining the amount of the compensations for each covered client-claimant.

### **xi. Unjustifiably paid compensation**

The Fund may at any time require the covered client to return the compensation paid to him/her if he/she subsequently establishes that there has been a reason for the rejection of the application in accordance with Directive DI87-07.

### **xii. Announcement of Fund's decision**

Upon completion of the procedure before the Administrative Committee, the Fund shall:

- (a) issue a decision listing the clients of the Fund member, determining the amount of money each one of them is entitled to receive, and communicate it to the Commission and the Fund member within five working days from its issue. The said decision shall also list those clients to whom no compensation shall be paid, and the reasons for this;
- (b) communicate to each affected client its decision at the soonest possible time from its issue.

The claimant to whom the Fund communicates its decision, may, in case of disagreement, submit an objection in writing to the Commission, within one month from the date on which the decision was notified, justifying his/her objection sufficiently. The objection shall be submitted to [info@cysec.gov.cy](mailto:info@cysec.gov.cy) and entitled "Objection to the decision of the ICF".

The Commission in the context of examining an objection may:

- a. request from the Fund, and/or the Fund member and/or the claimant to submit information and particulars;
- b. conduct any investigation.

The Commission, must conclude the examination of the objection within forty-five (45) days and in case it identifies an error in the evaluation carried out by the Fund, it shall request in written from that the Fund immediately rectifies the mistake and pays the claimant the correct amount, and informs the affected client accordingly.



### **xiii. Deadline and procedure relating to the payment of compensation**

The Fund is obliged to pay to each covered client-claimant the compensation within three months from the date that the decision was communicated to the covered client.

The payment of the compensation by the Fund is deposited to a bank account of the covered client-claimant, designated by the latter in writing to the Fund via the claim application form.

In extraordinary and justified circumstances, the Fund may request from the Commission an extension of the stipulated three months deadline for payments to the claimants. The said extension may not exceed three months.

### **xiv. Effects of payment of compensation**

The payment of any compensation by the Fund shall entail *ipso jure* subrogation of the Fund to the rights of the compensated covered client/claimant against the Fund member during the liquidation procedure of the said member for an amount equal to the compensation payable thereto.

***For more information regarding the preconditions and formalities for the payment of compensation by the ICF, please contact us via email at [info@greenfieldswealth.com](mailto:info@greenfieldswealth.com).***