

## INVESTORS' COMPENSATION FUND ('ICF')

### 1. Introduction

1.1. Skanestas Investments Limited ("the Company") is an Investment Firm regulated by the Cyprus Securities and Exchange Commission ("CySec") with license number 251/14.

1.2. Every Cyprus Investment Firm (hereafter the "CIF") is obliged under Investment Services and Activities and Regulated Markets Law 87/(I)/2017, to be a member of the Investment Compensation Fund (hereafter the "Fund" or the "ICF").

1.3. The purpose of the ICF is to secure the claims of covered clients against the ICF members through the payment of compensation, if the necessary preconditions are fulfilled.

1.4. The Fund has been operating since 2004 year.

### 2. Definitions

**'covered client'** shall mean the client of a Fund member, who is covered by the Fund for claims against the Fund member, arising from the covered services which are provided by the said Fund member;

**'Fund member'** shall mean a CIF, which participates in the Fund.

### 3. Covered services

3.1 The Fund covers the following services:

- Reception and transmission of orders in relation to one or more financial instruments.
- Execution of orders on behalf of clients.
- Dealing on own account.
- Portfolio management.
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis, as well as the ancillary service of:
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.

As applicable to the Company's License and relating to any of the financial instruments listed below and relevant to the Company

3.2. The phrase financial instruments in the previous paragraph refer to:

- 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 (provided that they are traded on a regulated market or/and an MTF) 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.

#### **4. Covered clients**

4.1. The Fund covers all clients of the Company except those who are convicted of a criminal offense for the transactions, pursuant to the Prevention and Suppression of Money Laundering Activities Law and those who are included in the following categories of investors:

##### *Non-covered clients*

(1) The following categories of institutional and professional investors:

- Investment Firms,
  - Legal entities associated with the Company and, in general, belonging to the same group of companies,
  - Banks,
  - Cooperative credit institutions,
  - Insurance companies,
  - Collective investment organizations in transferable securities and their management companies,
  - Social insurance institutions and funds,
  - Investors characterized by the Company as professionals, upon their request;
- (2) Supranational institutions, government and central administrative authorities;
- (3) Provincial, regional, local and municipal authorities.;
- (4) Enterprises who have close ties with the Company. Enterprises with “close ties” or “close links” include a situation in which two or more natural or legal persons are linked by participation which means the ownership, direct or by way of control, of at least 20% of the voting rights or capital of an undertaking;

(5) Managerial and administrative staff of the Company;

(6) 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;

(7) Investors having investments 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 4.1.(5) and 4.1.(6);

(8) Up to Second degree relatives and spouses of the persons listed in paragraphs 4.1.(5), 4.1.(6) and 4.1.(7), as well as third parties acting for the account of these persons;

(10) Other firms in the same group

(11) Customers who file claims arising out of transactions involving individuals convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law or customers responsible for the financial difficulties of the Company or who have contributed to the worsening of the Company’s financial situation or who have profited from these facts;

(12) 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 4.1.(5), 4.1.(6), 4.1.(7) and 4.1.(8), the Fund suspends the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

## **5. Objective of the Fund**

5.1. The objective of the Fund is to secure claims of covered clients in whose interests the Fund operates against the Fund's members by paying compensation for their claims arising from the covered services provided by the Fund's members, so long as failure of a Fund's member to fulfil its obligations has been ascertained.

5.2. The term failure denotes the inability of the Company:

A. either to return to its covered clients funds owed to them or funds which belong to them but are held by the Company, directly or indirectly, in the context of the provision by the Company to the said clients of covered services, and which the latter requested the Company to return, in exercising their relevant right, or

B. to hand over to covered Clients financial instruments, which belong to them and which the Company holds, manages or keeps on their account in connection with investment operations, including circumstances where the Company is responsible for administrative management of said financial instruments.

## **6. Prerequisites for initiating the procedure for paying out compensation**

6.1. The Fund initiates the procedure for paying out compensation when at least one of the following prerequisites is in place:

a) the Cyprus Securities and Exchange Commission has determined by Resolution that the Company is currently unable to meet such of its duties arising out of claims of its investor Clients for covered services it has provided, that such inability is directly related to the Company's financial standing which has no realistic prospect to improve in the near future,

The Commission issues its decision on the commencement of the compensation payment procedure by the Fund, within a reasonable timeframe upon ascertaining the fulfilment of the preconditions for the issue of such decision, and publishes the said decision on its website on the internet.

or

b) a court has issued a ruling directly related to the Company's financial standing that temporarily deprives investor Clients of the ability to file complaints (claims) against the Company;

6.2. Upon issuance of a decision by the Cyprus Securities and Exchange Commission or by the Court in accordance with paragraph 6.1.(a) or 6.1.(b) above respectively, on the commencement of the compensation payment procedure, the Fund publishes in at least two national newspapers an invitation to the covered clients to make their claims against the Company arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

6.3. The publication contains at least:

- i. the name and address of the headquarters and the trade name of the Company;
- ii. the deadline for the submission of compensation applications, which cannot be less than five (5) months or more than nine months than nine (9) months from the date of initiation of the compensation payment procedure, or from the date of its publication;
- iii. the method of submission of applications; and
- iv. the address and/or website through which covered clients may obtain the relevant claim form provided by the Fund.

6.4. The publication is immediately communicated to the Commission, which posts the publication on its website.

6.5. The Fund may, in exceptional and justified cases, with an announcement, extend the deadline for the submission of compensation applications up to three (3) months, upon the Commission's approval. The Fund's announcement is published in at least two national newspapers, and the Commission publishes it on its website.

## **7. Late submission of applications**

7.1. In case a covered client was not in a position to submit the application within the deadline, the deadline mentioned in the previous paragraph shall not apply thereto, 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.

7.2. 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 was not in a position to claim compensation in time, attaching all supporting evidence to that end.

## **8. Claim application form**

8.1. The Fund issues a claim form setting out the information and supporting evidence required in order to evaluate the claims of covered investors. The Fund may request additional information where deemed necessary.

## **9. Compensation payment conditions**

9.1. The payment of compensation by the Fund shall require the following:

- i. The initiation of the compensation payment procedure;
- ii. The existence of a valid claim by a covered client against the Company, which derives from an investment operation;
- iii. The submission in time of a duly completed application form as prescribed in the Directive DI87-07;
- iv. The claims do not arise from transactions for which there has been a criminal conviction for money laundering;
- v. There are no pending criminal proceedings against the covered client for money laundering;
- vi. The right of the covered client has not been extinguished under the Limitation of Offenses Act.

## **10. Calculation of compensation payable/formalities**

10.1. The calculation of the payable compensation arises from the sum of the total established claims of the covered client against the Company, emerging from all covered services provided by the member 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.

10.2. The maximum amount of compensation that may be paid to a covered client of the Company will be 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).

10.3. 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;
- iii. 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.

10.4. In the case the covered client is not the ultimate beneficiary of the funds or financial instruments held by the Company:

- i. A compensation shall be paid to the ultimate beneficiary if his identity is or may be established prior the date of the determination or ruling.
- ii. 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 are taken into account.

10.5. The currency in which compensation is paid to investors shall be the Euro. Where the funds and/or the financial instruments are expressed in a currency other than 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 has been initiated shall be used.

### **11. Unjustifiably paid compensation**

11.1. The Fund may at any time require the 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 Directive DI87-07.

### **12. Objection to the Fund's Decision**

12.1. Upon completion of the valuation, the Fund:

- (a) issues a decision listing the clients of the Company who are entitled to compensation, along with the amount of money each one of them is entitled to receive and communicates it to the Cyprus Securities and Exchange Commission and the Company within five working days from its issue, and
- (b) communicates to each affected client its decision, the soonest possible from its issue.

12.2. 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 communicated to him, justifying its objection sufficiently.

12.3. The objection shall be submitted at [info@cysec.gov.cy](mailto:info@cysec.gov.cy) and be entitled "*Objection to the decision of the ICF*".

12.4. The Cyprus Securities and Exchange Commission, in the context of examining an objection may:

- (a) request from the Fund, the Company and/or the claimant to produce information and particulars,
- (b) run the investigations required, implementing the relevant provision of the Cyprus Securities and Exchange Commission Laws.

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

13.1. The Fund shall pay to each covered client/claimant the compensation that he is entitled to, within three (3) months from the date that the decision was communicated to the covered client.

13.2. 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 via the claim application form.

13.3. In extraordinary and justified circumstances, the Fund may request from the Commission an extension of the deadline which may not exceed three (3) months.

#### **14. Effects of payment of compensation and additional information**

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

14.2. For additional disclosure of information about the Fund's activities, the amount of compensation payable to Clients, the procedure for filing a relevant application and the terms and conditions for paying out such compensation please contact us by email: [info@skanestas.com](mailto:info@skanestas.com)