



INVESTOR COMPENSATION

IFC Investments Cyprus Ltd

V.1 January 2021



1. Introduction

Capixal is a trading name of IFC Investments Cyprus Ltd authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 327/16 (the “Company”) and by virtue of the Directive DI87-07 for the operation of the ICF, as amended, is a member of the Investor Compensation Fund (the “ICF”) for Clients of Cyprus Investment Firms (CIFs) under the Investment Services and Activities and Regulated Markets Law of 2017 L.87(I)/2017 (“the Law”).

2. Purpose of the Investor Compensation Fund

The objective of the ICF is to secure the claims of Covered Clients of members of the ICF, in situations where the members of the ICF are unable to fulfil their obligations due to financial circumstances. The ICF compensates Covered Clients arising from services provided by a member of the ICF so long as failure by the member of the ICF to fulfil its obligations has been established.

A failure to fulfil its obligations consists of the following:

- A failure to return to a Covered Client funds owed to them or funds which belong to them but are held by a member of the ICF in relation to investment services; or
- A failure to hand over to a Covered Client financial instruments which belong to them and which the member of the ICF holds, manages or keeps on its account in relation to investment services

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, 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.

The Company’s Clients have the risk of losing their assets which are held by third parties, especially in case of their insolvency and in case the third parties are not covered by any investor compensation system and/or other insurance cover.

3. Covered Services

Covered services of the Company are the investment services of:

- Reception and transmission of orders in relation to one or more of the Financial Instruments.
- Execution of orders on behalf of Clients
- Portfolio Management



- Provision of Investment Advice

And the following Ancillary Services:

- Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related
- Foreign exchange services where these are connected to the provision of investment services

4. Covered Clients

The ICF covers for compensation all Clients of the Company, except the clients listed as “Non-Covered Clients” in paragraph 5 below.

5. Non-covered Clients

The ICF shall pay no compensation to individuals against whom criminal proceedings under the provisions of the Prevention and Suppression of Money Laundering Activities Law of 2019, as amended or replaced, are pending.

Under Applicable Regulations, the ICF does not compensate the following Non -Covered Clients:

1. The following categories of institutional and professional investors:

- a. Investment Firms.
- b. Legal entities associated with the Company 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 Company as professionals, upon their request, pursuant to the provisions of paragraph B of the second schedule of the Law 87(I)/2018.

2. Supranational institutions, government and central administrative authorities

3. Provincial, regional, local and municipal authorities

4. Enterprises associated with the Company

5. All staff of the Company inclusive of managerial and administration staff

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 member of the ICF as provided by the Law, such as qualified auditors



7. Investors having in an enterprise 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 points 5 and 6 above

8. Up to second-degree relatives and spouses of the persons listed in points 5, 6 and 7 as well as third parties acting for the account of these persons

9. Investor-clients of the ICF responsible for facts pertaining to the Company that has caused its financial difficulties or has contributed to the worsening of its financial situation or which have profited from these facts

10. Other companies of the same group as the Company

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

6. Amount of Compensation

The amount of compensation payable to each Covered Client shall be calculated in accordance with the legal and contractual terms governing the relation of the Covered Client with the Company, subject to the rules of setoff applied for the calculation of the claims between the Covered Client and the Company.

The calculation of the payable compensation derives from the sum of 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 the customer is a beneficiary, the currency and place of provision of these services.

The maximum amount of compensation that may be paid to a Covered Client shall not exceed 90% of the cumulative covered claims of the Covered Client and €20.000 for covered services, irrespective of the number of accounts held, currency and place of offering the investment service.

In the case whereby beneficiaries of a joint account of the Company are in their majority Covered Clients:

- the maximum amount payable to all co-beneficiaries of the account comes up to the amount of twenty thousand Euros (EUR 20,000); and
- the compensation is fixed on the whole for all co-beneficiaries of the joint account and is divided amongst them, in the way determined in the agreement between the co-beneficiaries and the Company; otherwise, in the absence of such agreement, it is divided equally amongst them.

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 identity is or may be established prior to the date of the determination or ruling referred to in sub-paragraph (1) of Paragraph 18 of the Directive.

(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. It is provided that this clause shall not apply to undertakings for collective investments.

The currency in which compensation is paid to investors shall be the Euro. Where the funds and/or financial instruments are expressed in a currency other than the Euro, for purposes of calculation of the compensation amount, 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 funds and/or financial instruments of the investor become unavailable pursuant to sub-paragraph (1) of Paragraph 18 of the Directive shall be used.

The ICF may demand at any time from a Covered Client that he returns the compensation paid if it finds out posteriori that there was in fact a reason to reject the application.

7. Compensation of Covered Clients and Payment Formalities

7.1 The Company's failure to fulfil its obligation toward the investors includes:

- a. Either a failure 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 framework of the provision by the said member to the said clients of covered services, and which the latter requested the member to return, in exercise of their relevant right;
- b. Or a failure to hand over to the Covered Clients financial instruments which belong to them and which the member of the Fund holds, manages or keeps on their account, including the case where the member is responsible for the administrative management of the said financial instruments.

7.2 Preconditions for the initiation of the compensation payment procedure by the ICF:

The payment of compensation which will be initiated where:

1. CySEC is of the opinion that the member of the ICF is unable to meet client claims, at the time being, provided that this inability is resultant from its financial circumstances which show no prospect of improvement in the near future; or
2. A judicial authority has on reasonable grounds directly related to the financial circumstances of the member issued a ruling with the effect that investors' ability to lodge claims against it are suspended.



CySEC will issue its decision for the initiation of the procedure for the payment of the compensation from the ICF within reasonable time and will publish all the relevant information on its website (www.cysec.gov.cy). Upon issuing a decision to initiate the compensation payment process, the ICF will publish, in at least 2 newspapers of national coverage, an invitation to the Covered Clients to make their claims. In that invitation a procedure for submission of the relevant applications, a deadline for submission and the content will be outlined. This will also be published on CySEC's website.

The ICF will issue a form for the submission of applications, which will state all the information and the evidence required for examination of the claim. Upon submission of the applications, the Administrative Committee of the ICF examines the applications and decides whether the following conditions are met:

1. The commencement of the compensation procedure;
2. The existence of a valid claim from a Covered Client against a member of the ICF arising out of an investment service;
3. The application was duly submitted according to the Directive;
4. That the claims do not arise from transactions for which a convicting decision was issued pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007 (as amended);
5. No criminal prosecution is pending pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007 (as amended) in regard to the client in question; and
6. That the right of the Covered Client has not expired

The Administrative Committee of the ICF will take into consideration the recommendations of at least one expert in the capital markets and of at least one lawyer with knowledge about the capital markets for the examination of the applications.

The Administrative Committee rejects the application in case the claimant used fraudulent means in order to secure the payment of compensation by the ICF.

Upon completion of the valuation, the ICF:

- Issues minutes listing the clients of the member of the ICF which are compensation beneficiaries along with the amount of money each one of them is entitled to receive, and, communicates it to CySEC and the member of the ICF within five working days from its issue; and
- Communicates to each affected client its finding as soon as possible from the issue of the aforementioned minutes.

The applicant to whom such a decision is communicated, may in case of disagreement with it, submit a written objection to the Commission within one month from the communication of the decision, justifying sufficiently this objection. This appeal should be submitted to info@cysec.gov.cy with the subject:



“Objection to the decision of the ICF”. The Commission must complete the examination of the objection within 45 days.

In case a Covered Client is not in a position to submit such application within the deadline, the deadline initially imposed by the ICF 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 a case, the Client 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.