



# Investor Compensation Fund

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September 2021

# 1. Introduction

Conotoxia Ltd (the “Company”) is a member of the Investor Compensation Fund (the “Fund”) within the definition of Directive DI87-07 of the Cyprus Securities and Exchange Commission for the continuance of operation and the operation of the CIF Investor Compensation Fund (the “Directive”). The objective of the Fund is to secure the claims of covered clients against members of the Fund by the payment of compensation for their claims arising from the failure of a member of the Fund to fulfil its obligations.

## 2. Purpose of the Fund

The purpose of the Fund is to secure the claims of covered clients against the Company by the payment of compensation for their claims arising from the failure of the Company to fulfil its obligations, provided that at least one of the conditions of paragraph 18(1) of the Directive is fulfilled.

Failure by the Company to fulfil its obligations as stipulated in part III of the Directive, can lead to either:

- a) its inability 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 of covered services, or
- b) its inability to return to its covered clients financial instruments which belong to them and which the Company holds or controls in its accounts on behalf of the clients.

## 3. Covered services

Covered Services are the investment and ancillary services attached on the Company's licence (336/17) issued by the Cyprus Securities and Exchange Commission, at the time of the claim.

## 4. Covered clients

Covered clients are all the clients of the Company that are NOT included in the following categories of investors:

- a) Institutional and professional investors such as:
  - i. Investment Firms (IFs)
  - ii. Legal entities associated with the Company and, in general, belonging to the same group of companies as the Company
  - 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 characterized by the Company as professionals
- b) States and supranational organizations.
- c) Central, federal, confederate, regional and local administrative authorities.
- d) Enterprises associated 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, such as its qualified auditors.
- g) Investors having 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 paragraphs (e) and (f) above.
- h) Relatives up to second degree 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) Investors-clients of the Company responsible for facts pertaining to the Company which have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts.
- j) Companies that belong to the same Group of companies with the Company.
- 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 of the European Union.

## 5. Disclosure on FCA Temporary Permission regarding the Clients Assets

The Company has been granted with the Temporary Permission Regime by the Financial Conduct Authority (FCA) to provide its services to UK clients. Therefore, all clients onboarded by the Company residing in the territory of the UK are included in the home state coverage scheme of the Company (Investor Compensation Fund). It must be also noted that any UK clients' money and safe custody assets belonging to the that client will not be treated any differently to money and assets belonging to our other clients.

## 6. Procedure for initiating the compensation payment

The Fund initiates the compensation payment procedure when at least one of the following circumstances is satisfied:

- a) The Cyprus Securities and Exchange Commission has determined that the Company is currently unable to meet its obligations arising from its clients' claims, in connection with the covered services it has provided, as long as such inability is directly related to the Company's financial position which has no realistic prospect of improvement in the near future, or
- b) A judicial authority 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 it.

Following the decision to initiate the compensation payment process in accordance with paragraphs (a) or (b) above, the Fund publishes as soon as possible in at least three newspapers of national coverage, the 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.

## 7. Amount of payable compensation

The amount of 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 Company, subject to the setoff rules 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 client is a beneficiary, the currency and place of provision of these services.

Currently, the maximum amount of cover is either the 90% of the cumulative covered claims of the covered investor, or the amount of €20.000, whichever is lower. In case of a joint investment business:

- a) In the calculation of the covered amount noted above, the share that corresponds to each covered investor is taken into account;
- b) The claims are distributed equally among the covered investors, unless specific provisions exist and subject to the exceptions of point c below, the maximum coverage is provided to each Investor; and
- c) The 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, may, for the purpose of calculating the limits of compensation, be aggregated and treated as if arising from an investment made by a single investor.

## 8. Additional cash buffer

According to the Directive DI 87-07, the members of ICF are required to keep a minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital as at the previous year in a separate bank account in case there is need for an extraordinary contribution and this should not be used for any other purpose. It is provided that the above is a minimum limit of special purpose liquidity, and not a limit of extraordinary contribution. The extraordinary contribution may surpass the above minimum limit, and members will be obliged to pay it.

The Company will apply the following procedure in regard to the calculation of the minimum cash buffer:

- Minimum amount is to be calculated by the Risk Manager and provided to the Company's Safekeeping Officer/Head of Finance,
- Safekeeping Officer checks the calculation and provide its comments (in any),
- Final and reviewed calculation is being provided for the management (General Manager and CEO) for the approval,

- Upon the approval of the Senior Management, the Safekeeping Officer/Head of Finance proceeds with the transfer of the funds to a separate bank account,

The above process is being properly documented and all necessary records are kept by the Safekeeping Officer/Head of Finance. In order to ensure its compliance with the regulatory requirements the Company will recalculate the minimum cash buffer and adjust it if required on a yearly basis and keep the amount in a separate account as an additional cash buffer always taking into account the amount of the eligible funds and financial instruments.

As per the directive the Company is obliged to submit, between May 15 and May 20 of each year, a confirmation (annex I) signed by the members of their Board of Directors and their internal auditor, or, in the absence of an internal audit function due to legislative provisions, signed by their compliance officer, in relation to their compliance as per the directive. The relevant confirmation form can be found on the Commission's website.

## Annex I

**[LIQUIDITY BUFFER] CONFIRMATION PER PARAGRAPH 11(6)(C) OF THE ICF DIRECTIVE**

Pursuant to Paragraph 11(6)(c) of the ICF Directive, we the persons of Table 3 [of the present document], declare that the ICF Member **[add the full name of the ICF Member]**:

## Part A

### Table 1

(1)	(2)	(3)
1.	<p>Maintained at all times, for the period beginning on the day after submitting to the ICF the statement of clients' eligible funds and financial instruments for year <b>[add the previous year]</b> and ending on the date of submission to the ICF of the statement of clients' eligible funds and financial instruments for the present year, in a separate bank account especially designated for this purpose, in a bank in the European Union a sum which corresponded to at least three per thousand (3 o/oo) of the eligible funds and financial instruments of their clients as they appeared on the statement submitted to the ICF at the previous year.</p>	<div data-bbox="1235 1489 1313 1520"><input type="checkbox"/> Yes</div> <div data-bbox="1235 1872 1313 1904"><input type="checkbox"/> No</div>

Please select the appropriate option on Table 1.

Irrespective of the selection on Table 1, please attach a statement of account of the relevant bank account for the period indicated in Table 1.

If option "No" was selected, please fill in Table 2 (below).

Table 2

(1)	(2)	(3)
1.	The member obtained its license during the current year.	<input type="checkbox"/> Yes  <input type="checkbox"/> No
2.	The statement of clients' eligible funds and financial instruments submitted for the previous year was nil (zero amounts).	<input type="checkbox"/> Yes  <input type="checkbox"/> No

If option "No" was selected on Table 1 and on both rows of Table 2, please submit an explanation as to why the Member is in non-compliance with its obligation per paragraph 11(6) of the ICF Directive.

## Part B

People declaring the accuracy of the information submitted in Part A and the documents attached thereof.

Table 3

(1)	(2)	(3)	(4)
Function	Names	Signature	Date
Executive Directors	[add the full names of Executive Directors]	[The executive Directors must confirm the declaration by signing here]	

Non executive Directors	[add the full names of non executive Directors]	[The non executive Directors must confirm the declaration by signing here]	
Internal Auditor	[add the full name of the internal auditor, or where the function has been assigned/outsourced to a third party (legal person), add the full name of both the legal person, as well as of the natural person within that legal person who has the competence to sign on behalf of that legal person]	[The Internal Auditor, or where the function has been assigned/outsourced to a third party (legal person), the natural person within that legal person who has the competence to sign on behalf of that legal person, must confirm the declaration by signing here]	
Head of the Compliance Function <sup>1</sup>	[add the full name of the head of the Compliance function, or where the Compliance function has been assigned/outsourced to a third party (legal person), add the full name of both the legal person, as well as of the natural person within that legal person who has the competence to sign on behalf of that legal person]	[The head of the Compliance function, or where the function has been assigned/outsourced to a third party (legal person), the natural person within that legal person who has the competence to sign on behalf of that legal person, must confirm the declaration by signing here]	

<sup>1</sup>The said row is to be completed only where a Member does not maintain an Internal Audit function.

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The above declaration must be confirmed by the signatures of the persons set out in the first column of Table 3.

In case a person holds more than one of the relevant positions in the Member, they should add their name in all relevant rows and sign for each one of the positions held.

The row concerning the Head of the Compliance Function should be completed only where a Member does not maintain an Internal Audit function.

