

# VM Vita Markets Ltd

*(Regulated by the Cyprus Securities & Exchange Commission)*

## INVESTOR COMPENSATION FUND POLICY

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## **1. INTRODUCTION**

**VM VITA MARKETS LTD** (the “Company”) is a Cyprus Investment Firm (“the CIF”) incorporated and registered under the laws of the Republic of Cyprus. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under the **license No. 373/19 (CIF 373)**.

The Company has established and implemented Investor Compensation Fund Policy (the “Policy”), which has been approved by the Board of Directors.

The Company is a member of the Investor Compensation Fund (the “Fund”) for customers of CIFs and other Investment Firms (“IFs”) which are not credit institutions.

The Fund has been established pursuant to the provision of Law 144(I)/2007, which had been replaced by Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other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.

The Fund’s powers and functions are regulated by the provisions of the Directive DI87-07 of CySEC (“the Directive”) for the operation of the Investor Compensation Fund (“the Directive”).

The object of the Fund is to **secure the claims of the “Covered Clients”** (see Section 3) against the Fund members by the payment of compensation for their claims arising from the “Covered Services” (see Section 4) provided by Fund members, if the conditions for payment have been fulfilled.

It is a legal obligation for CIFs and other IFs, which are not credit institutions, to subscribe as members to the Fund.

Any compensation provided to clients by the Investor Compensation Fund **shall not exceed the lower of 90% of the cumulative covered claims of the Covered Client and EURO 20.000**. This applies to clients’ aggregate claims against the Company.

## **2. LEGAL FRAMEWORK**

The Company has established and implemented the Policy taking into account the following applicable legal framework:

- Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes (the “EU Directive”)
- 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 (the “Law”)
- Directive DI87-07 of CySEC for the operation of the Investor Compensation Fund which replaced Directive 144-2007-15 of 2015 of CySEC and Directive 144-2007-09 of 2012 of CySEC (the “Directive”)

## **3. COVERED CLIENTS**

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

1. The following 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 provision of Part II of the Second Appendix of the Investment Services and Activities and Regulated Markets Law of 2017 (the “Law”).
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 Fund member;
  6. Shareholders of the Fund member whose participation directly or indirectly in the capital of the Fund member amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the Fund member as well as persons responsible for the carrying out of the financial audit of the Fund member as provided by the Law, such as its qualified auditors;
  7. Investors having in enterprises connected with the Fund member and, in general, with the group of companies to which the Fund member belongs, positions or duties corresponding to those listed in sub-paragraphs (e) and (f) above;
  8. Up to second-degree relatives and spouses of the persons listed in sub-paragraphs (e), (f) and (g) mentioned above, as well as third parties acting for the account of these persons;
  9. Apart from the investors, investors-clients of a member of the Fund 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 sub-paragraphs (4), (6), (7), (8) and (10) mentioned above, 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.*

***Covered Clients need not be Cypriot citizens. Foreigners residing in Cyprus, as well as Cypriots or foreigners residing abroad, may also apply.***

#### **4. COVERED SERVICES**

Covered services are the following **Investment Services** which are offered by the Company:

- a. Reception and Transmission of orders in relation to one or more financial instruments;
- b. Execution of orders on behalf of clients;
- c. Portfolio Management;
- d. Provision of Investment Advice.

Covered ancillary service is the following **Ancillary Service** which is offered by the Company:

- a. Safekeeping and administration of financial instruments for the account of clients, including custodianship

and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level (“central maintenance service”), as referred to in point 2 of Section A of the Annex to Regulation (EU) No 909/2014.

**Financial Instruments** in relation to which Investment Services are currently provided by the Company are the following:

1. Transferable securities;
2. Units in collective investment undertakings;
3. 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;
4. 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 other than by reason of a default or other termination event;
5. 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled

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

### **i. Failure of a member of the Fund to fulfill its 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 its obligations has been ascertained notwithstanding a relevant obligation by the member of the Fund in accordance with the legislation and the terms which govern its 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.

Failure by a member of the Fund to fulfill its obligations consists of its failure:

- to repay the funds owed to its Covered Clients or belonging to them and held on their behalf in connection with investment operations (investment services and/or investment activities of Part I and ancillary service of paragraph (1) of Part II of First Appendix of the Law) in accordance with the applicable legal and contractual conditions; **or**
- to return to Covered Clients any financial instruments which belong to them and which the member of the Fund holds, manages or administers on their behalf in connection with investment operations in accordance with the applicable legal and contractual conditions;

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

The Fund initiates the compensation payment procedure when **at least one of the following occurs**:

- a Court of the Republic, has made a ruling, based on reasons that are directly related to financial situation of the Fund member, which has the effect of suspending the ability of the Covered Client to make claims against the Fund member; **or**
- CySEC has determined that a Fund member does not appear, for the time being, for reasons directly related to its financial circumstances, to be able to fulfil its obligations arising from its clients' claims and is not expected to be able to do so in the near future.

CySEC shall issue its decision for the initiation of the compensation payment process by the Fund within a reasonable time and publish the relevant details on its website.

### **iii. Procedure relating to the invitation of Covered Clients to submit applications**

Upon issuance of a decision by CySEC, on the commencement of the compensation payment process, the Fund publishes as soon as possible in at least two (2) newspapers of national coverage, an invitation to the Covered Clients to submit their claims against the member of the Fund arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

**The publication contains at least:**

1. the name, address of the headquarters and the trade name of the member of the Fund, to whom the Covered Client compensation process has been activated through the Fund;
2. the deadline for the submission of compensation applications, which cannot be less than five (5) months and greater than nine (9) months from the date of initiation of the compensation payment procedure, or from the date of its publication;
3. the mode of submission of applications;
4. the address and/or website through which Covered Clients may be informed about the exact content of the applications to be submitted, and get the relevant claim form provided by the Fund.

### **iv. Late submission of applications**

In case a Covered Client, not being its fault, was not in a position to submit within the deadline this application, the deadline shall not apply thereto, if conditions occurred that prevented the keeping of the deadline for the submission of compensation applications or the collection and submission of the required information.

A Covered Client who submits an application late to the Fund for the payment of compensation is obliged to submit, in addition to the information forming the necessary minimum content of the application a solemn declaration stating the reason for which he was not in a position to claim compensation in time attaching the necessary supporting evidence to prove his allegations.

### **v. Claim application form**

The Fund shall issue a claim form identifying the required information and supporting evidence for the evaluation of Covered Clients claims.

The Fund may ask for additional information where deemed necessary.

### **vi. Procedure relating to the recording and evaluation of claims**

The Fund may record and assess the submitted claims, either internally or by designating at least one (1) expert in capital market issues and at least one (1) lawyer with knowledge on capital market issues, who after having checked initially the relevant prerequisites, evaluate the claims submitted to the Fund and recommend to the Administrative Committee their acceptance in total or in part or their rejection.

In case of disagreement between these persons, each one of them submits a separate recommendation.

The remuneration of the persons is agreed between the Fund and these persons and burdens the member of the Fund, and, if necessary, is paid by the Fund.

The said persons, in order to evaluate the applications:

1. ask from the Company to express its opinion about the grounds of the claims alleged by the claimants, within a specified deadline, for the purpose of the applications evaluation;
2. In case the Company does not submit its justified opinion on time, the designated persons shall proceed with the evaluation of the applications;
3. evaluate, based on the information they have, the applications, determining the amount of the compensation for each claimant.

The said persons shall have full access to the books kept by the Company, in order to accomplish their work, and they are obliged to exhibit confidentiality against any third party as to the information coming to their knowledge in the exercise of their duties provided that the said obligation of confidentiality is disregarded in order to render possible the exercise of their duties.

#### **vii. 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 Company, which derives from an investment operation;
- (c) the submission of an application Form;
- (d) That 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 (“AML Law”);
- (e) no pending criminal proceedings against the Covered Client for money laundering as defined in the AML Law;
- (f) The right of a Covered Client has not been extinguished under the Limitation of Offenses Act

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

1. The calculation of the compensation payable shall arise from the sum of the 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 it is the beneficiary, the currency and place where such services are provided within the European Union.
2. The Fund shall provide coverage for the claims referred to in paragraph 5(i), which applies for the total claims of the Covered Client against the Company and shall be defined as the lower of 90% of the cumulative covered claims of the Covered Client and €20.000
3. In the case of joint investment business:
  - (a) in the calculation of the coverage provided for in paragraph 5(viii)(2), the share attributable to each Covered Client shall be taken into account;
  - (b) the claims shall be allocated equally amongst Covered Clients, unless there exist special provisions, and without prejudice to section (c), each investor is provided with separate coverage pursuant to the provisions of paragraph 5(viii)(2);
  - (c) 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 provided for in paragraph 5(viii)(2) be aggregated and treated as if arising from an investment made by a single investor.
4. Where a Covered Client is not the ultimate beneficiary of the funds or financial instruments held by the Company:
- (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 paragraph 5(iii)
  - (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. Paragraph 5(viii)(4) does not apply to undertakings for collective investments.
5. Compensation shall be paid in Euro, 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.

**ix. Decision of the Administrative Committee on submitted applications**

The Administrative Committee shall examine the applications before it and decide whether the conditions of Paragraph 5(vii) are fulfilled or not.

The Administrative Committee will reject the application if the claimant has used false or misleading means in order to secure the payment of the compensation.

The Administrative Committee during the examination of the applications takes into consideration the recommendations of the persons of paragraph 5(vi) and decides on the applications submitted to the Fund determining the amount of the compensations for each Covered Client-claimant.

**x. Unjustifiably paid compensation**

The Fund may demand at any time from a Covered Client to return the compensation paid to it, if it finds out on a later stage that there was a reason to reject its application.

**xi. Announcement of Fund's decision**

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

- issues a decision listing the clients of the Company 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 Company within five (5) working days from its issue;

the said decision shall also list those clients to whom no compensation shall be paid, and the reason for this; and

- communicates to each affected client its decision the soonest possible from its issue;

The claimant to whom the Fund communicates its decision, in case he disagrees with the Fund's decision, has the right within one (1) month from the communication of the decision, to appeal to CySEC, justifying sufficiently its alleged claim. The objection shall be submitted at [info@cysec.gov.cy](mailto:info@cysec.gov.cy) and entitled "Objection to the decision of the ICF".

CySEC, in order to ensure that the provisions of the legislation in force in the Republic are fulfilled



during the examination of the objection may:

- request from the Fund and/or the Company and/or the claimant to produce information and particulars;
- run any investigation required, implementing the relevant provisions of CySEC Law of 2009 to 2017, as in force, and especially those provisions enacting the powers of the CySEC for entry and investigation.

The CySEC 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 writing from the Fund to immediately rectify the mistake and pay the claimant the correct amount, and inform the affected client accordingly.

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

The Fund is obliged to pay to each Covered Client-claimant the compensation within three (3) 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 CySEC an extension of the deadline provided for in the first subparagraph.

The said extension may not exceed three (3) months.

#### **xiii. Effects of payment of compensation**

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 Company for an amount equal to the compensation payable to it.

### **6. REVIEW OF THE POLICY**

The Policy shall be reviewed by the Compliance Function at least annually or sooner in case of any change in the legal or regulatory framework affecting the Policy. All relevant personnel of the Company should be informed of these changes accordingly.

The Board of Directors shall review the amendments proposed by the Compliance Function and approve any changes to this Policy.

The Internal Auditor shall be responsible for ensuring that the Company duly implements the provisions of the Policy.