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INVESTOR COMPENSATION FUND

APRIL 2019



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1. INTRODUCTION

There are three Investor Compensation Funds operating in Cyprus, the Investor Compensation Fund for;

1. Clients of Investment Firms
2. Clients of Banks
3. Clients of Co-operative Credit Institutions.

NFX Capital CY Ltd ("NFX Capital CY Ltd") is regulated by the [Cyprus Securities and Exchange Commission](#) under registration № 209/13 and is a member of the Investor Compensation Fund for Clients of Investment Firms, in accordance to the [Investment Services and Activities and Regulated Markets Law of 87\(I\)/2017](#) ("Law") and [Directive D1144-2007-15](#).

2. WHO IS THE FUND

The Investor Compensation Fund ("ICF", "Fund"), was established in 2004 as a private legal entity and is managed by an administrative committee. CySEC regulates, by way of Directives, the form, management, organization and the general operations of the ICF specifically, but not limited to;

- The conditions and procedure for participation in the Fund of an Investment Firm ("ICF member")
- Contributions of an ICF member
- Departure from the fund of an ICF member
- The amount of compensation paid to Clients, conditions for payment of compensation and all other subjects relating to the submission and inspection of a claim.
- The Clients of an ICF member that are not covered by the ICF
- Income, management, administration supervision and inspection of the ICF

3. OBJECT OF THE FUND

The object of the Fund is to secure the claims of covered Clients against members of the Fund through the payment of compensation, so long as failure by the member to fulfill its obligations has been ascertained, provided that any preconditions for compensation have been defined (preconditions are explained in the section Procedure to commence compensation process).

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

- (a) Either to return to its covered clients, funds owed to them or funds which belong to them but are held by the member, 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 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.



What does this mean to you?

In layman's terms all regulated brokers in Cyprus must be a member of the ICF. Membership of the regulated broker secures any claim made by you, direct to the Fund, regarding the failure of the regulated broker, to return funds/financial instruments owed to you, but held by the regulated broker in order to provide an investment service to you. Of course, you must be a Client who is covered by the Fund and your claim must meet certain preconditions.

4. COVERED CLIENTS

In accordance to classification criteria set by MiFID, all Clients of NFX Capital CY Ltd have been classified as Retail Clients, unless you have made a special request to be classified as a Professional Client or an Eligible Counterparty and that request has been accepted. All retail Clients are covered by the ICF, except those, who are convicted of criminal offense for the transactions, pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007.

Trading in Cryptocurrencies or in CFDs related to Cryptocurrencies DOES NOT entitle investors to the right to any protection under the Investors Compensation Fund in case of bankruptcy of the Company.

The Fund does not compensate the following investor categories;

- 1) The following categories of institutional and professional investors:
 - a) investment Firms (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, in accordance with articles 14 and 15 of the Code of Professional Conduct of IFs.
- 2) States and supranational organizations.
- 3) Central, federal, confederate, regional and local administrative authorities
- 4) Enterprises which have close ties with the member of the Fund. Enterprises with "close ties" or "close links" here means companies belonging to the same group as well as natural persons who directly or indirectly control that legal person or its parent company, holding at least 20% of the voting rights or share capital of an undertaking.
- 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 of the member of the Fund 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 as provided by the Law, such as its qualified auditors.

7) Investors having, in 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) Second-degree relatives and spouses of the persons listed in paragraphs (5), (6) and (7), as well as third parties acting for the account of these persons.

9) Investors involved in money laundering activities or investors responsible for financial difficulties of the member of the Fund or have contributed to the worsening of its financial situation or which have profited from these facts.

10) 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) and (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. COVERED SERVICES

The Fund shall compensate a covered Client in respect to a claim of a Covered Service. Covered Service shall mean the Investment and/or Ancillary Services provided by NFX Capital CY Ltd in accordance to its license (please click [here](#) for Investment Services and [here](#) for Ancillary ones).

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

The phrase financial instruments in the previous paragraph refers 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.

The Fund shall pay no compensation in respect of claims arising out of transactions involving individuals convicted of a criminal offense offence for the said transactions, pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007-2018.

6. AMOUNT OF COMPENSATION PAYABLE

The amount of compensation toward investor-clients of Fund members shall be up to a maximum amount of twenty thousand Euro (€20.000) and the said coverage applies to the total amount of claims of an investor toward a Fund member, irrespective of the number of accounts, currency and place of provision of the service. In the case of a joint investment operation, the part of the claim attributable to each investor is taken into account: It is provided that joint investment operation means covered investment service or the ancillary service which is carried out on behalf of two or more beneficiaries, and generally persons who have a right which may be exercised upon the signature of one or more such persons.

The amount of compensation payable to each covered customer is calculated in accordance to the legal and contractual terms governing our relationship, subject to set-off rules. The calculation of the payable compensation derives from the sum of the total established claims of the covered Client against CIF, arising from all the covered services provided and regardless of the number of accounts of which the client is a beneficiary, the currency and place of provision of these services.

The valuation of the financial instruments pertaining to the compensation payable to the covered client is carried out based on their value at the day: (a) of publication of a court ruling which has the effect of the suspending the investors ability to lodge claims against it based on reasonable grounds directly related to the financial circumstances of an Investment Firm which has subscribed to the Fund; (b) of publication of the decision of the Cyprus Securities and Exchange Commission that an Investment Firm, which has subscribed to the Fund, is unable to meet such of its duties as arise from its customers' claims in connection with the covered services it has provided, as long as such inability is directly related to its financial circumstances in respect of which no realistic prospect of improvement in the near future seems foreseeable.

If the amount of the claim determined exceeds the amount of Euro 20.000 (twenty thousand Euros), the claimant receives as compensation the lump sum of the amount of Euro 20.000 (twenty thousand

Euros).

In case of the investment firm providing services to its clients through a branch situated in a third country, the amount of the maximum compensation payable to clients of the said branch comes up, per customer, to the lump sum paid by any investor compensation scheme in operation in the third country, without however this amount exceeding the fixed amount of Euro 20.000 (twenty thousand Euros).

If in the third country, in the case described above, an investor compensation scheme is not in operation, the maximum amount of payable compensation per client of the branch comes up to an amount corresponding to Euro 3.417 (three thousand four hundred seventeen Euros).

In the case whereby beneficiaries of a Joint Account of the Company are in their majority covered clients.

(a) the maximum amount payable to all co-beneficiaries of the account comes up to the amount of Euro 20,000 or, as the case may be, as per above point - Euro 3,417 and

(b) 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.

7. PRECONDITIONS and PROCEDURE FOR THE INITIATION OF COMPENSATION

PRECONDITIONS

The Fund initiates the compensation payment procedure when at least one of the following preconditions is fulfilled:

7.1. The Securities and Exchange Commission has determined by Resolution that an IF, which has subscribed to the ICF, is unable, at present, to meet such of its duties as arise from its Clients' claims in connection with the investment services or the ancillary service it has provided, (which for NFX Capital CY Ltd are [these ones](#)), as long as such inability is directly related to its financial circumstances in respect of which no realistic prospect of improvement in the near future seems foreseeable.

With reference to the [Unofficial translation of certain Regulations of the Investment Firms Laws of 2002 to 2004](#), such precondition is presumed when an ICF Member:

- does not pay in time its contributions provided for in the applicable regulations or does not fulfill other obligations towards the Fund.
- submits a written statement to CySEC declaring its failure to fulfill its obligations towards its Clients.
- files an application for liquidation in accordance to the provisions of Part V of the Companies Law.
- has its CySEC authorization to provide investment services in accordance to section 16 of the Law revoked or suspended and CySEC ascertains that the ICF member is not expected to be in a position to fulfill its obligations towards a Client in the near future, for reasons which do not concern a temporary lack of liquidity which can be dealt with immediately.

7.2. A Court has, on reasonable grounds directly related to the financial circumstances of an IF which has subscribed to the ICF, issued a ruling which has the effect of suspending the investors' ability to lodge claims against it.

PROCEDURE

Upon issuance of a decision by the Court or by the Securities and Exchange Commission to commence the compensation payment process the Fund publishes in at least three newspapers of national coverage, an invitation to the covered Clients to make 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 compensation applications of covered Clients with which they make their claims against a member of the Fund are submitted to the Fund in writing and must include, but may not be limited to;

1. the name of the claimant;
2. the address, telephone and fax numbers as well as any email address of the claimant;
3. the Client code that the claimant had for the member of the Fund;
4. the particulars of the covered services agreement between the Fund and the claimant;
5. the type and amount of the alleged claims of the claimant;
6. the exposition of the particulars from which the alleged claims of the claimant and their amount are derived.

The Administrative Committee rejects the application if the claimant used fraudulent means in order to secure the payment of compensation by the Fund, especially if he knowingly submitted false evidence; or the damage suffered by the claimant substantially derived from concurrent negligence or offence on his behalf in relation to the damage he suffered and to his underlying cause, in accordance with Point 9 of the section titled "Covered Clients".

The Cyprus Securities and Exchange Commission, in order to ensure that the provisions of the legislation in force in the Republic of Cyprus are fulfilled during the examination of the applications and the calculation of the amount of the corresponding compensation per covered client, may: (a) request from the Fund, the Company and the claimant to produce information and particulars, (b) run the investigations required, implementing the relevant provision of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws.

The claimant, to whom the Fund communicates the total compensation amount to which he is entitled, in case he disagrees with the Fund's decision, has the right within ten days from the communication of the decision to appeal to the Cyprus Securities and Exchange Commission, justifying sufficiently his alleged claim.



The Fund is obliged to pay to each covered Client-claimant the compensation within three months from sending to the Securities and Exchange Commission the minutes with the compensation beneficiaries in accordance to the relevant Regulations.

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.

Every compensation payable to a covered client burdens initially the property of the Fund corresponding to the individual shares of its members and then the assets of the fixed reserve.