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Investor Compensation Fund Policy

Tradestone Ltd

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1. Introduction

Tradestone Ltd (hereinafter the “Company”, “We” or “Us”) is a member of the Investor Compensation Fund (hereinafter the “Fund”) for Customers of Cyprus Investment Firms (hereinafter the “CIF”) and other Investment Firms (hereinafter the “IF”) which are not credit institutions, that was established pursuant to Article 59(1) and (2) of Law 144(I)/2007 which provides for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters as repealed by Law 87(I)/2017 (hereinafter the “Law”) and its powers and functions are regulated by the provisions of the Law and the Directive DI87-07 of the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) for the Operation of the Investors Compensation Fund (hereinafter “the Directive”).

The Fund constitutes of a private legal entity and its administration is exercised by an Administrative Committee of five members, who are designated for a three-year term. The objective of the Fund is to secure the claims of the covered clients against the members of the Fund, by compensating their potential claims concerning the covered services provided by the Fund’s members, when the member fails to fulfil its obligations and if this has been ascertained.

It is a legal obligation for CIFs and other IFs, which are not banks, to subscribe to the Fund.

Any compensation provided to clients by the Investor Compensation Fund shall not exceed EUR 20.000 or 90% of the covered investor’s claim, whichever is lower. This refers and is applicable to clients’ aggregate claims against the Company.

1.1 Covered Clients

The ICF covers Retail Clients of the Company. It does not cover Professional Clients and Eligible Counterparties as in below paragraph.

1.2 Uncovered Clients

The Fund does not cover clients falling under the following categories:

- a) The following categories of institutional and professional investors:
 - IFs
 - legal entities associated with the member of the Fund and, in general, belonging to the same group of companies
 - banks
 - cooperative credit institutions
 - insurance companies
 - collective investment undertakings in transferable securities and their management companies
 - social insurance institutions and funds
 - investors characterized by the member as professionals, upon their request
- b) Supranational institutions, government and central administrative authorities
- c) Provincial, regional, local and municipal authorities
- d) Enterprises that have close ties with the respective Fund member



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- e) Managerial and administrative staff of the member of the Fund
- f) Shareholders of the member of the Fund, whose direct or indirect participation in the share capital of the member of the Fund amounts to 5% as a minimum, or a partner who may be personally liable for the obligations of the member of the Fund, and/or persons responsible for the carrying out of the financial audit of the member of the Fund, in the post of qualified auditors
- g) Investors having enterprises connected with the member of the Fund and/or, in general, of the group of companies, to which the member of the Fund may belong, and/or positions or duties corresponding to the ones listed in two previous paragraphs
- h) Up to second-degree relatives and spouses of the persons listed in the previous three paragraphs, and/or third parties acting on the account of such persons
- i) Apart from the investors, investors-clients of a member of the Fund responsible for facts pertaining to the member of the Fund that may have caused its financial difficulties or may have contributed to the worsening of its financial situation and/or have profited from these facts
- j) Other firms in the same group
- 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 and/or a corresponding law of a Member State

In the cases of paragraphs (d), (e), (f), (g) and (h), the Fund suspends the payment of compensation and informs the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

1.3 Covered Services

Covered services are the following investment services that are offered by the Company:

- ✚ 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
- ✚ provision of investment advice

Financial instruments in relation to the investment services currently provided by the Company are the following:

- ✚ 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 and/or may be settled in cash at the option of one of the parties (otherwise than by reason of a default and/or other termination event)
- ✚ Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled, if they are traded on a regulated market and/or an MTF
- ✚ Options, futures, swaps, forwards, and any other derivative contract relating to commodities, that can be physically settled and is not for commercial purposes, which bears the characteristics of other



derivative financial instruments, with regard to whether, inter alia, this is cleared and settled through recognised clearing houses or is 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 and/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, with 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.

2. Compensation of covered clients and payment formalities

2.1 Failure of a member of the Fund to fulfil 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 fulfil 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 the agreement between the member and the covered client and regardless of whether the said obligation of the member of the Fund is based on the agreement and/or on wrongdoing.

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

- ✚ Either to return funds owed to its covered clients or funds which belong to them but are held by the member, directly or indirectly, in the framework of the provision by the Fund member to the said clients for covered services, where the latter (in exercise of their relevant right) requested the member to return, 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.

If, for reasons related to the applicable law, including in particular the law relating to property or insolvency, the Company cannot comply with the requirements of sub-paragraph (1) for the safeguarding of clients' rights regarding compliance with sections 17(8) and (9) of the Law, then the Company ensures it has in place arrangements to ensure that clients' assets are safeguarded. The Company when holding financial instruments belonging to its clients, has in place adequate arrangements so as to safeguard the ownership rights of clients, especially in the event of the Company's insolvency, and to prevent the use of a client's financial instruments on own account except with the client's express consent. The Company must at all times when holding funds belonging to its clients, make adequate arrangements to safeguard the rights of clients and, except in the case of credit institutions, to prevent the use of client funds for its own account.

2.2 Preconditions for the initiation of the compensation payment procedure by the Fund

The Fund initiates the compensation payment procedure when at least 1 of the following pre-conditions is fulfilled:



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- ✚ The member of the Fund submits to the Fund or to Cyprus Securities and Exchange Commission (CySEC), a written statement declaring its failure to fulfil its obligations toward its clients
- ✚ A court of the Republic of Cyprus on reasonable grounds directly related to the financial circumstances of the Company which is subscribed to the Fund issued a ruling which has the effect of suspending the investors liability to lodge claims against the Company
- ✚ The CySEC has determined that the Company which is subscribed to the Fund is unable at present to meet its duties/claims as these arise from its clients for reasons that are directly related to its financial circumstances and in respect of which there is no foreseeable prospect of improvement
- ✚ The member of the Fund files an application for liquidation
- ✚ CySEC has revoked or suspended the member's authorization to provide investment services and ascertains that the member of the Fund is not expected to be in a position to fulfil its obligations toward its clients in the near future, for reasons which do not concern a temporary lack of liquidity which can be dealt with immediately

CySEC may request by the member of the Fund to set out its views within a short deadline, which cannot be less than three working days from the date of the invitation to set out such views.

3. Procedures

3.1 Procedure relating to the invitation of covered clients to submit applications

Upon issuance of a decision by the Court or by CySEC, on the commencement of the compensation payment process, the Fund publishes in at least two newspapers of national coverage, an invitation to the covered clients to make their claims arising from covered services, against the member of the Fund, designating the procedure for the submission of the relevant applications, stating the deadline for their submission and the content therein.

The publication contains at least:

- the name and address of the headquarters of the member of the Fund, in favour whom the covered client compensation process has been activated through the Fund
- the deadline for the submission of compensation applications, which cannot be less than five months and greater than nine months from the last relevant publication
- the mode of submission of applications
- the address and/or website through which covered clients may be informed about the exact content of the applications to be submitted, and receive the relevant form provided by the Fund

3.2 Interruption of deadline for submission of applications

In case a covered client was not in a position to submit such application within the deadline, the deadline 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.

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

3.3 Content of compensation applications submitted to the Fund

- ✚ The Fund shall issue a claim form setting out the information and supporting evidence required in order to evaluate the claims of covered investors. The information required to be provided by compensation applications may include:
 - the name of the claimant
 - the address, telephone, and fax numbers as well as any email address of the claimant
- ✚ The name of the Company
 - the client code that the claimant was given by the member of the Fund.
 - the particulars of the covered services agreement between the Fund and the claimant
- ✚ The type and amount of the alleged claims of the claimant;
- ✚ Copy of documents that prove the claimant deposits to the Company and
- ✚ The exposition of the particulars from which, the alleged claims of the claimant and the claim amount derive.

Without prejudice to the above, the Fund may request additional information where deemed necessary.

3.4 Procedure relating to the recording and evaluation of the alleged compensation claims

The Fund may record and assess submitted claims, either internally or by designating at least one expert in capital market issues and at least one lawyer with expertise on capital market issues, who upon checking the prerequisites, they evaluate the claims submitted to the Fund and recommend to the Administrative Committee their acceptance in total/partly or their rejection. In case of different view/decision between these persons, each one of them submits a separate recommendation. Their remuneration is agreed between the Fund and these persons and burdens the member of the Fund, and, if required, is paid by the Fund.

These persons in order to evaluate the applications they:

- ✚ ask the member of the Fund to express a justified opinion about the grounds of the claims alleged by the claimants and, in case of doubt, to present the relevant supporting documents
- ✚ evaluate, based on the information received, the applications, determining the amount of the compensation for each claimant

These persons have full access to the records kept by the member of the Fund, in order to accomplish their mission, and they are obliged to exhibit confidentiality against any third party as to the information coming to their awareness in the exercise of their duties provided that the said obligation of confidentiality is disregarded in order to render the exercise of their duties possible.

3.5 Decision of the Administrative Committee on submitted application

Upon submission of the application the Administrative Committee takes over and has full authority where:

- ✚ the claimant falls within the category of covered clients
- ✚ the application was timely submitted
- ✚ the conditions of legislation and of this Policy for the valid submission of compensation applications are fulfilled

The Administrative Committee rejects the application in case the claimant does not fulfil the above conditions or, if at the Administrative Committee's discretion, there exists at least one of the following reasons:

- ✚ the claimant used fraudulent means to secure the payment of compensation by the Fund, especially if he consciously submitted false evidence.
- ✚ the damage suffered by the claimant substantially derived from concurrent negligence or offence on his own behalf in relation to the damage it suffered and to its underlying cause.

At the examination of the applications, the Administrative Committee takes into consideration the recommendations of the designated persons and decides on the applications submitted to the Fund determining the amount of the compensations for each one of the covered client-claimant.

3.6 Unjustifiably paid compensation

The Fund may demand at any time from a covered client to return the compensation paid, if they find out some posteriori that there was a reason to reject the application in the first place.

3.7 Fixing of the amount of payable compensation

To ascertain the claims of a claimant against a member of the Fund, as well as any counter claims of the member of the Fund against the claimant, the records kept, and the particulars issued by the member of the Fund as well as the supporting evidence provided by the claimant are also taken into consideration.

The calculation of the payable compensation derives from the sum of total established claims of the covered client against the member of the Fund, arising from the total of covered services, provided by the member and regardless of the number of accounts he is the beneficiary of the currency and place of provision of these services.

The Fund shall provide coverage for the claims, which applies for the total claims of the covered client against a Fund member and shall be defined as the lower of 90% of the cumulative covered claims of the covered client and €20.000.

The valuation of the financial instruments shall be carried out on the basis of their market value on the day of their calculation.

Compensation shall be paid in Euro, and, where the funds and/or financial instruments are expressed in a currency different 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.

3.8 Valuation of claims of covered clients and its notification process

Upon completion of the evaluation, the Fund:

- ✚ issues a decision, listing the clients of the member of the Fund, which are the beneficiaries of the compensation amounts, along with the amount of money each one of them is entitled to receive, and communicates this information to CySEC and the member of the Fund within the time of five working days from its issue; and
- ✚ communicates its finding, to each affected client the soonest possible from the issue of the decision mentioned above, determining the total compensation amount each client is entitled to receive

CySEC, to ensure that the provisions of the legislation in force, in the Republic, are met during the examination of the applications and verify the calculation of the respective amounts of compensation per covered client, may:

- ✚ request from the Fund, the member of the Fund and the claimant to provide information and particulars

- ✚ carry out investigation if deemed necessary, under the relevant provisions of CySEC (Establishment and Responsibilities) Laws of 2001 and 2002, as in force, and especially those provisions enacting the powers of the CySEC for entry and investigation.

Where there's a case the claimant, to whom the Fund communicates the total compensation amount he is entitled to, disagrees with the Fund's decision, he then reserves the right to appeal to CySEC, justifying sufficiently the alleged claim, within one month from the date of the communication of the decision.

Where the CySEC finds errors or inaccuracies in the evaluation of the applications for the payment of compensation and the fixing of the compensation for each claimant, that were carried out by the Fund, and taking into consideration any memos submitted by the claimants, may demand that the Fund corrects the payable compensations; this decision is communicated to the Fund within forty-five days from the communication of the relevant minutes to the compensation beneficiaries by the Fund.

3.9 Deadline and procedure relating to the payment of compensation

The Fund is obliged to compensate each covered client-claimant within three months from the date the decision was communicated to the covered Client.

The payment of the compensation by the Fund is deposited to a bank account owned by the covered client/claimant as advised by the latter in the application form, to the Fund.

In extraordinary and justified circumstances, the ICF may request from CySEC an extension of the deadline outlined above. The said extension shall not exceed three months.

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

3.10 Effects of payment of compensation

The payment of any compensation by the Fund, entails ipso jure subrogation of the Fund within the terms of the rights reserved by the compensated covered client-claimant against the member of the Fund, with an amount equal to the compensation payable thereto.



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