

**Otkritie Finance (Cyprus) Limited**

Registration # HE 165058

License # 069/06

Date of Incorporation: 06/09/2005

Issued by the Cyprus Securities &amp; Exchange Commission

42, Leoforos Amathountos, Millios Building, office No.2, Agios Tychonas, 4532 Limassol, Cyprus [www.otkritiefinance.com.cy](http://www.otkritiefinance.com.cy) Tel: +357-25-431456 Fax: +357-25-431457**INVESTORS COMPENSATION FUND**

OTKRITIE Finance (Cyprus) Limited is a member of the Investor Compensation Fund (“the Fund”) for customers of Cypriot Investment Firms (“CIFs”) and other Investment Firms (“IFs”) which are not credit institutions.

The Fund was established under the Investment Firms (IF) Law 2002 as amended (the “Law”). The Law provided regulations called the Establishment and Operation of an Investor Compensation Fund for Customers of CIFs Regulations 2004 (the “Regulations”).

The Fund constitutes a private law legal entity and its administration is exercised by an Administrative Committee of five members who are designated for a three-year term. The Fund has been operating since 30 May 2004.

**COVERED SERVICES**

**Covered Services are the investment services of:**

**Investment services**

- a) Reception and transmission of orders in relation to one or more financial instruments
- b) Portfolio management
- c) Execution of orders on behalf of clients

**Ancillary services**

- a) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- b) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- c) Foreign exchange services where these are connected to the provision of investment services.

**Financial Instruments**

- a) Transferable securities.
- b) Money-market instruments.
- c) Units in collective investment undertakings.
- d) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash.
- e) 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)
- f) 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 and/or MTF.
- g) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III of the Law and not being for commercial purposes, which have the characteristics or other derivative financial instruments, having

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regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls.

- h) Derivative instruments for the transfer of credit risk
- i) Financial contracts for differences

### **COVERED CUSTOMERS**

Covered Customers are the customers of OTKRITIE Finance (Cyprus) Limited (the Company), **except:**

- A. Investors characterized by the Company as “professional clients” and “eligible counterparty”;
- B. Investors who are included in the following categories of investors:

1. Institutional and professional investors such as:
  - (a) Investment Firms (IFs);
  - (b) Legal entities associated with the Company and, in general, belonging to the same group of companies as OTKRITIE Finance (Cyprus) Limited;
  - (c) Banks;
  - (d) Co-operative 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
2. States and supranational organisations;
3. Central, federal, confederate, regional and local administrative authorities;
4. Enterprises associated with the Company;
5. Executive and managerial officers of the Company;
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 Company, as provided by the Law, such as its qualified auditors;
7. Investors having in enterprises 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 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. Apart from investors convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 1996-2000, investor-clients of the Company responsible for facts pertaining to the Company that have caused its financial difficulties 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

### **OBJECT OF THE FUND**

The object of the Fund is to secure the claims of the Covered Customers against the members of the Fund by the payment of compensation for their claims arising from the Covered Services provided by its members, so long as failure by the member to fulfill its obligations has been ascertained.

Failure by the Company to fulfill its obligations consists of its failure to-

1. either return to its Covered Customers funds owed to them or funds which belong to them but are held by the Company, directly or indirectly, in the context of the provision by the Company to the said customers of Covered Services, and which the latter requested the Company to return, in exercising their relevant right; or
2. hand over to the Covered Customers financial instruments which belong to them and which the Company holds, manages or keeps on their account, including circumstances where the Company is responsible for the administrative management of the said financial instruments.

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## **PRE-REQUISITES FOR INITIATING THE COMPENSATION PAYMENT PROCEDURE**

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

1. The Cyprus Securities and Exchange Commission has determined that the Company is, for the time being, unable to meet its obligations arising from its investor customers' 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
2. A Court has made a ruling which has the effect of suspending the investor customers' ability to lodge claims against the Company based on grounds directly related to the financial position of the Company

Upon issuance of such a decision by the Cyprus Securities and Exchange Commission or by the Court on the commencement of the compensation payment procedure, the Fund publishes in at least three national newspapers an invitation to the Covered Customers 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.

## **CALCULATING THE AMOUNT OF PAYABLE COMPENSATION**

The amount of compensation payable to each Covered Customer is calculated in accordance with the legal and contractual terms governing the relation of the Covered Customer with the Company, subject to the rules of set-off applied for the calculation of the claims between the Covered Customer and the Company.

The calculation of the payable compensation derives from the sum of total established claims of the Covered Customer 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.

Insofar as the amount of the claim determined exceeds the equivalent in Cyprus Pounds of Euro 20,000, the claimant receives as compensation the lump sum in Cyprus Pounds of the amount of Euro 20,000. For the determination of the Cyprus Pound equivalent against the Euro, the average exchange rate is taken into account as fixed by the Central Bank of Cyprus on the day of issue of the decision of the Court or the Cyprus Securities and Exchange Commission on the commencement of the compensation payment procedure by the Fund.

Upon completion of the valuation, the Fund issues minutes listing the customers of the Company who are entitled to compensation along with the amount of money each one of them is entitled to receive. The Fund communicates this to the Cyprus Securities and Exchange Commission and the Company within five working days from its issue. The Fund also communicates to each affected customer its finding no later than fifteen days from the issue of the minutes, determining the total compensation amount this customer is entitled to receive.

If the claimant, to whom the Fund communicates the total compensation amount which he is entitled, disagrees with the Fund's decision he 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 Customer claimant the compensation within three months from sending to the Cyprus Securities and Exchange Commission the minutes with the compensation beneficiaries

For any further information regarding the Fund, please refer to the offices of the Administrative Committee of the Fund, at the following address:

Administrative Committee of the Investor Compensation Fund  
for Customers of CIFs and other IFs  
32 Stasikratous Street, 4th floor  
P.O. Box 24996  
1306 Nicosia  
e-mail address: investmentfirms@cysec.gov.cy  
fax no.: 22 375762