

## **INVESTOR COMPENSATION FUND**

### **1. General**

Red Mars Capital Ltd. (hereinafter the “Company”) is a member of the Investor Compensation Fund (“ICF”) for the Clients of Cyprus Investment Firms (“CIFs”), under the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 87(I)/2017, as subsequently amended from time to time (hereinafter the “Law”).

### **2. Objective**

The objective of the ICF is to secure claims of the covered Clients against members of the ICF, through the payment of compensation, in cases where the member concerned is unable, due to its financial circumstances and when no realistic prospect of improvement, in the above circumstances in the near future, seems possible. The ICF compensates the covered Clients for claims, arising from the covered services provided by the Company, so long as failure by the Company to fulfil its obligations has been ascertained, in accordance with the terms and procedure defined in the Law, notwithstanding a relevant obligation by the Company, 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 Company is based on the agreement or on wrongdoing.

The loss of Fund membership status by the Company, shall not mean loss of rights of covered Clients to receive compensation, in relation to investment operations carried out, if the conditions for compensation are fulfilled and it will not hinder the initiation of the compensation procedure for covered clients.

### **3. Covered Services**

- a) Investment services:
  - i. Reception and transmission of orders in relation to one or more of the Financial Instruments;
  - ii. Execution of orders on behalf of Clients;
  - iii. Portfolio Management;
  
- b) Ancillary Services:
  - i. Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management;
  - ii. 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;
  - iii. Foreign exchange services where these services are connected to the provision of investment services;

### **4. Covered Clients**

The ICF will compensate all Retail Clients of the Company. It will not compensate Professional Clients and Eligible Counterparties. For further details see point 5 below.

## **5. Non-Covered Clients**

**5.1.**The ICF will pay no compensation to individuals, against whom criminal proceedings, under the provisions of Law 188(I)/2007-2019 for The Prevention and Suppression of Money Laundering and Terrorist Financing, as amended or replaced, are pending.

**5.2.**As per the provisions of Directive DI87-07 - For the function of the Investor Compensation Scheme, the ICF does not compensate the following categories of investors:

- a) Institutional and professional investors:
  - i. Investment Firms (IFs);
  - ii. Legal entities associated with the Company and, in general, belonging to the same group of companies;
  - iii. Banks;
  - iv. Cooperative credit institutions;
  - v. Insurance companies;
  - vi. Collective investment organizations in transferable securities and their management companies;
  - vii. Social insurance institutions and funds;
  - viii. Investors characterized by the Company as professionals, upon their request;
- b) States and supranational organizations;
- c) Central, federal, confederate, regional and local administrative authorities;
- d) Enterprises associated with the Company;
- e) Managerial and administration 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, as provided by the Law, such as qualified auditors;
- g) 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 points (e) and (f) of this section;
- h) Second-degree relatives and spouses of the persons, listed in points (e), (f) and (g) of this section, as well as third parties acting for the account of these persons;
- i) Apart from investors convicted of a criminal offence pursuant to Law 188(I)/2007-2019 for The Prevention and Suppression of Money Laundering and Terrorist Financing, as amended or replaced, investors-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;
- j) 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.

**5.3.**In the cases of points (e), (f), (g) and (h) above, the ICF suspends the payment of compensation, informing the interested parties accordingly, until it reaches a final decision, as to whether such cases apply.

The Fund covers claims arising due to a member's failure

The ICF compensates the covered Clients for claims, arising from the covered services, provided by the Company, when failure by the Company to fulfil its obligations has been ascertained (see also paragraphs 6.2., 6.3. and 6.4. below).

## **6. Amount of Compensation**

### **6.1 Determination of the amount of the compensation payable:**

- a) 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 and regardless of the number of accounts, of which the Company is the beneficiary, the currency and place, where such services are provided within the European Union.
- b) The ICF will cover the Clients` claims, which apply for the total claims of the covered Clients against the Company and will be defined as the lower of 90% of the cumulative covered claims of the covered Clients and in total of maximum €20.000 per claim.
- c) If the sum of the funds and financial instruments per client exceed the amount of twenty thousand Euros (€20.000), the total payable compensation to each covered Client of the Company, may not exceed the amount of twenty thousand Euros (EUR 20,000), irrespective of the number of accounts held, currency and place of offering the investment service;

### **6.2. Joint investment business:**

- a) in the calculation of the compensation, the share attributable to each covered investor shall be taken into account;
- b) the claims shall be allocated equally amongst covered investors, unless there exist special provisions, and without prejudice to section (a), each investor is provided with separate compensation;
- 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 compensation, be aggregated and treated as if arising from an investment made by a single investor;
- d) the maximum amount payable to all co-beneficiaries of the account, comes up to the amount of twenty thousand Euros (EUR 20,000);
- e) 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;

### **6.3. 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 of the amount of the compensation payable;
- b) if the ultimate beneficiaries are more than one, in the calculation of the compensation 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;

**6.4.** 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, will be used from the European Central Bank at the end of the day, on which the compensation payment procedure was activated.

## **7. Circumstances under which the Clients can claim compensation under the ICF cover**

All Company`s Clients are eligible for compensation, when/if a failure by the Company to fulfil the following obligations occurs:

- a) to return the funds to its covered Clients, which are held by the Company indirectly in connection with investment operations; or
- b) to return to the covered Clients financial instruments, which belong to them and which the Company manages and administered on their behalf, in connection with investment operations;

## **8. Compensation Payment Process**

Upon initiation of the compensation payment procedure, the ICF will publish as soon as possible in at least two national newspapers, an invitation to all Clients of the Company to submit applications for compensation, designating the procedure for the submission of the relevant applications, the deadline for their submission, as well as their content.

The publication shall include at least the following:

- a) The name, address of the headquarters and the trade name of the involved Company;
- b) The deadline for the submission of the compensation applications, which cannot be less than five months or more than nine months, from the date of initiation of the compensation payment procedure, or from the date of its publication;
- c) The mode of submission of applications; and
- d) The address and/or website through which covered clients may obtain the relevant claim form provided by the ICF.

The above-mentioned publication will also be posted on the website of the Cyprus Securities and Exchange Commission (hereinafter “CySEC”)

**8.1.** The ICF initiates the compensation payment process in one of the following situations:

- (a) The CySEC has determined by resolution, that the Company is unable to meet such of its duties, as arise from its Clients’ claims, in connection with the investment services it has provided, as long as such inability is directly related to its financial circumstances, with respect to which no realistic prospect of improvement in the near future seems foreseeable, and has issued its decision on the commencement of the compensation payment procedure by the ICF, as well as has published the said decision in the Official Gazette of the Republic of Cyprus, as well as on its website on the Internet.

CySEC can issue such decision when at least one of the following preconditions is fulfilled:

- (i) The Company submits to the ICF or to CySEC a written statement, declaring its failure to fulfil its obligations towards its Clients; or
- (ii) The Company files an application for liquidation, in accordance with the provisions of Part V of the Companies Law of Cyprus; or
- (iii) CySEC has revoked or suspended the Company’s authorization to provide investment services and ascertains, that the Company 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.

- (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;

**8.2.** The compensation applications of covered Clients, with which they make their claims against the Company, are submitted to the ICF in writing and must include:

- a) The name of the claimant-Client;
- b) The address, telephone and fax numbers, as well as any email address of the claimant-Client;
- c) The Client's account number, which the claimant-Client had with the Company;
- d) The bank account details of the account, where the payment of the compensation by the ICF shall be deposited;
- e) The particulars of the covered services agreement between the ICF and the claimant-Client;
- f) The type and amount of the alleged claims of the claimant-Client;
- g) The description of the particulars, from which the alleged claims of the claimant-Client and their amount are delivered;
- h) Any other information the ICF might or will request.

**8.3.** Upon submission of the compensation applications, the Administrative Committee of the ICF has control especially if:

- a) The claimant-Client falls within the category of covered Clients;
- b) The application was timely submitted;
- c) The claimant-Client is not convicted of a criminal offence, pursuant to Law 188(I)/2007-2019 for The Prevention and Suppression of Money Laundering and Terrorist Financing, as amended or replaced;
- d) The conditions for the valid submission of compensation applications are fulfilled.

**8.4.** The Administrative Committee rejects the compensation application, in case the claimant-Client does not fulfil the conditions referred to in paragraph 8.3. above, or if at the Administrative Committee's discretion, at least one of the following reasons exists:

- a) The claimant-Client used fraudulent means, in order to secure the payment of compensation by the ICF, especially if it knowingly submitted false evidence;
- b) The damage suffered by the claimant, substantially derived from concurrent negligence or offence on its behalf, in relation to the damage it suffered and to its underlying cause;
- c) If the claimant has used false or misleading means, in order to secure the payment of the compensation;

**8.5.** Compensation payment conditions. The payment of compensation by the ICF 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 as prescribed in point 8.2 above;
- d) That the claims do not arise from transactions for which there has been a criminal conviction for money laundering as defined in Law 188(I)/2007-2019 for The Prevention and Suppression of Money Laundering and Terrorist Financing;
- e) There are no pending criminal proceedings against the said covered client for money laundering as defined in the Prevention and Suppression of Money Laundering Activities Law of 2007-2019;
- f) The right of a covered client has not been extinguished under the Limitation of Offences Act

**8.6.** Upon completion of the valuation, the ICF:

- a) Issues minutes, 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 issuance; and
- b) Communicates to each affected client its decision the soonest possible from the issue of the aforementioned minutes, determining the total compensation amount this Client is entitled to receive. The said decision shall also list, those clients to whom no compensation shall be paid, and the reasons for this;
- c) The claimant to whom the ICF communicates its decision, may, in case of disagreement, submit an objection in writing to the CySEC, within one (1) month, from the date on which the decision was notified, justifying its objection sufficiently. The objection shall be submitted at [info@cysec.gov.cy](mailto:info@cysec.gov.cy) and entitled “Objection to the decision of the ICF”.
- d) The CySEC in the context of examining the objection may request from the ICF and/or the Company and/or the claimant, to submit information and particulars, which are needed in order to conduct any investigation.
- e) The CySEC, must conclude the examination of the objection within forty-five (45) days and in case, that identifies an error in the evaluation carried out by the ICF, 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.

**8.7.** Late submission of applications.

- a) In case a covered client was not in a position to submit such application within the deadline mentioned in point 8(b) above, the said deadline will 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.
- b) A covered client submitting a compensation application after the deadline, shall submit, in addition to the information forming the content of the application (point 8.2 above), a declaration explaining the reason, if any, for which she/he was not in a position to claim compensation.

**8.8.** Unjustifiably paid compensation

The ICF may at any time require, the covered client to return the compensation paid to it, if it subsequently establishes, that there has been a reason for the rejection of the application in accordance with this directive.

**8.9.** Payment of compensation.

- a) The ICF shall pay each covered Client/claimant the compensation that she/he is entitled to, within three (3) months from the date, that the decision was communicated to the covered client;
- b) The payment of the compensation by the ICF shall be deposited to a bank account of the covered Client, as designated by the said Client in writing via the application form as per point 8.2(d) above;
- c) In extraordinary and justified circumstances, the ICF may request from the CySEC an extension of the deadline provided for in point (a) above. The said extension may not exceed three months.



## **9. Unclaimed Client`s funds**

The Company may choose to pay to the ICF, funds held by the Company, and which constitutes own funds of the Company`s Clients, without this constituting a breach of provisions relating to protection of Clients` funds, where:

- a) The Company held the amount for at least six (6) years, from the day on which the last transaction took place in that account, including deposits and withdrawals, but excluding any payments or charges of interest or fees and associated transactions;
- b) The Company is in a position to prove, that it took all reasonable measures, to locate the said Client and return the said funds to him, without a response from the Client, and after one (1) month has elapsed, since the date of communication.
- c) The Company undertakes to return to its Client, an amount equal to the funds of the Client, which the Company has submitted to the ICF, in the event that the Client (or any legal heirs thereof) makes a claim for the said funds at any time in the future.

**9.1.** The taking of reasonable measures of point (a) above, includes the following:

- a) Determining the Client`s correct contact information via the use of any available means, including telephone calls to the client to confirm the said information, research in the Company`s internal records and research in public records;
- b) Sending a letter to the last known physical address of that Client, or sending an email to the last known electronic address of the Client, informing the respective Client, that the Company intends to cease managing the Client`s funds as own funds and to pay the said amount to the ICF, unless the Client instructs the ICF otherwise, within one (1) month.
- c) If the Client does not reply after one month, the Company must try to communicate the
- d) information set out in section (b) at least one more time, using another mean than the one used the first time, including contact via letter, e-mail and phone.
- e) If the Client does not reply after the one month from the last attempt of contact in accordance with point (c) above, the Company must send a letter to the respective Client to their last known address, or send them an e-mail to their last known e-mail address, to inform the Client of the following:
  - i. Pursuant to the fact that the Client has not claimed the said funds and the Company has received no contrary instructions, the said funds will be paid to the ICF, within one (1) month; and
  - ii. That the Company shall compensate the Client with a sum equal to the funds paid to the ICF, if the client communicates with the Company to claim such sum in the future.
- f) Where the Company, while attempting to communicate to the Clients per the contents of this section, has received written notice, that the Client is not situated at a particular physical address, the Company may no longer use the said address for the purposes of point (d) of this section.