



Klips

Klips CY Ltd – Investor Compensation Fund

1. INTRODUCTION

- 1.1 **KLIPS CY Ltd** (the “**Company**”, “**Klips CY**”, “**we**” and “**our**”) a limited liability Company incorporated in the Republic of Cyprus with registration number HE431041. Klips CY is authorized and regulated by the Cyprus Securities and Exchange Commission (“**CySEC**”) as a Cyprus Investment Firm (“**CIF**”) with license number **434/23** and having its registered address at 116 Gladstonos Street, M.Kyprianou House 3rd & 4th floor, 3032, Limassol, Cyprus.
- 1.2 Klips CY is a member of the Investor Compensation Fund (ICF) for clients of Cypriot Investment Firms (CIFs) and other Investment Firms (IFs) which are not credit institutions. The Company is operating under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments amending Directives 2002/92/EC and 2011/61/EU (recast), as last amended by Directive 2016/1034 of the European Parliament and of the Council, as the same may be in force, modified or amended from time to time (the ‘Markets in Financial Instruments Directive (2014/65/EU)’ or ‘MiFID II’).
- 1.3 The object of the Fund is to secure the claims of the clients of regulated Investment Firms against the members of the Fund through the payment of compensation, in cases where the Investment firm is unable, due to its financial circumstances, and when no realistic prospect of improvement of such circumstances in the near future seems possible: (a) to return to its clients funds owed to them or funds which belong to them but are, directly or indirectly, held by the Investment Firm in the context of providing investment services to the said clients, or (b) to hand over to such clients the financial instruments which belong to them and by which the Investment Firm holds, manages or keeps on their account, including the case where the Investment Firm is responsible for the administrative management of the said financial instruments.
- 1.4 The Company is operating under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments amending Directives 2002/92/EC and 2011/61/EU (recast), as last amended by Directive 2016/1034 of the European Parliament and of the Council, as the same may be in force, modified or amended from time to time (the ‘Markets in Financial Instruments Directive (2014/65/EU)’ or ‘MiFID II’).

2. PURPOSE

- 2.1 The main objective of the ICF is to secure the claims of covered clients of regulated CIFs that are members of the ICF (‘ICF Members’), in situations where the CIF is unable to fulfil its obligations.
- 2.2 The Fund compensates covered clients in accordance with the services provided by the Fund Member, in cases where the Fund Member is unable to fulfil its obligations. Failure by a Fund Member to fulfil its obligations consists of its failure:
 - To return to its covered clients funds owed to them or funds which belong to them but are held by a Fund Member, directly or indirectly, in the framework of the provision by the said Fund Member to the said clients of covered services and which the latter requested the Fund Member to return, in exercise of their relevant right.
 - To hand over to the covered clients financial instruments which belong to them and which the Fund Member holds, manages or keeps on their account, including the instances where the Fund Member is responsible for the administrative management of the said financial instruments.

The Company’s clients bear the risk of losing their assets, which are held by Third Parties, especially in case of their insolvency and in case the Third Parties are not covered by any investor compensation system and/or have no other insurance cover.

3. COVERED SERVICES

Klips CY Ltd. is authorized and regulated by the Cyprus Securities and Exchange Commission (“**CySEC**”) as a Cyprus Investment Firm under license number CIF 434/23.

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- 3.1 The Covered Services are the investment services listed on the Company's licence (Licence No. CIF 434/23) issued by the CySEC as well as the Ancillary Service of Paragraph 1 of Section B of Annex I of MiFID II. The Fund shall not pay compensation to individuals for which criminal proceedings under the provisions of the Prevention and Suppression of the Legalisation of Proceeds from Criminal Activities Law of 2018 are pending against them.

4. COVERED CLIENTS

- 4.1 The Fund compensates all retail clients of the Company. It does not cover any Professional Clients and/or Eligible Counterparties and/or any clients that fall into the following investor categories:
- a) The following categories of institutional and professional investors:
 - Investment Firms (IFs).
 - Legal entities associated with the Company and, in general, belonging to the same group of companies.
 - Banks.
 - Cooperative credit institutions.
 - Insurance companies.
 - Collective investment organizations in transferable securities and their management companies.
 - Social insurance institutions and funds.
 - 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 sub-paragraphs (e) and (f) of this paragraph.
 - h) Second-degree relatives and spouses of the persons listed in sub-paragraphs (e), (f) and of this paragraph as well as third parties acting for the account of these persons.
 - i) Apart from investors convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007, 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.

In the cases of sub-paragraphs (e), (f), (g) and (h) of paragraph 5.2., the ICF suspends the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

5. SUBMITTING AN APPLICATION

- 5.1 An application to the ICF may be submitted in one of the following two ways:
- (a) By filling in the online application form which can be found on the website of CySEC;
 - (b) By submitting a simple letter to the offices of the ICF, accompanied by all supporting evidence.

- 5.2 The letter/application may:
- (a) be sent by post to the following address:
Investor Compensation ICF for IF Clients, 27 Diagorou Str., 1097 Nicosia, Cyprus.
 - (b) be delivered by hand to the offices of the ICF, at the following address:
Investor Compensation ICF for IF Clients, 27 Diagorou Str., 1097 Nicosia, Cyprus.
- 5.3 When submitting an application, make sure to include at least the following information:
- (a) Particulars of the applicant (name, address, Identity Card / Passport No., telephone and fax numbers and email address).
 - (b) The name of the ICF member against which the application is submitted and the client code and/or the applicant's investment account No.
 - (c) Copy of the covered services agreement between the ICF member and the applicant.
 - (d) The type and amount of alleged claims by the applicant.
 - (e) Copy of the statement of account from the transactions platform that you used.
 - (f) Copy of the statement of deposits and withdrawals from the account held with the ICF member.
 - (g) Copies of documents that prove the applicants deposits to the ICF member (e.g. swift transfers, deposit orders, debit advice etc.)
 - (h) Description of the facts and evidence giving rise to the alleged claims by the applicant and the amount of such claims with specific references to actions or omissions of the ICF member.
 - (i) Any other evidence or supporting documents to demonstrate that the applicant is entitled to apply for compensation.
 - (j) Reference and copies of any correspondence with the ICF member concerned.
 - (k) Written confirmation that the information included in the application/letter as well as all the documents accompanied it are correct and true.
- 5.4 Upon submission of the compensation applications, the Administrative Committee of the ICF has control especially if:
- The claimant-Client falls within the category of covered Clients;
 - The application was timely submitted;
 - The claimant-Client is not convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007, as amended or replaced; (The conditions for the valid submission of compensation applications are fulfilled).
- 5.5 The Administrative Committee rejects the compensation application in case the claimant Client does not fulfil the conditions referred to in paragraph 5.4. above, or if at the Administrative Committee's discretion, at least one of the following reasons exists:
- 5.6
- The claimant-Client used fraudulent means in order to secure the payment of compensation by the ICF, especially if it knowingly submitted false evidence;
 - 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.
- 5.7 Upon completion of the valuation, the ICF:
- 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 issue; and
 - Communicates to each affected Client its finding no later than fifteen (15) days from the issue of the aforementioned minutes determining the total compensation

amount this Client is entitled to receive.

6. COMPENSATION PAYMENT PROCESS

- 6.1 The Fund initiates the compensation payment procedure when at least one of the following preconditions is fulfilled:
- a) The Cyprus Securities and Exchange Commission (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.
- 6.2 Upon issuance of a decision to initiate the compensation payment process by a Court or by CySEC, the ICF publishes, in at least three (3) newspapers of national coverage, an invitation to the covered Clients to make their claims against the Company. The invitation outlines the procedure for submission of the relevant compensation applications, including the deadline for submission and the content of such applications.

7. COMPENSATION PAYMENT PROCESS

- 7.1 The amount of compensation payable to each covered client is calculated in accordance with the legal and contractual terms governing the relation of the covered client with the Company, subject to the set-off rules applied for the calculation of the claims between the covered client and the Company.
- 7.2 The calculation of the payable compensation derives from the sum of 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 a beneficiary, the currency and place of provision of these services.
- 7.3 The maximum amount of compensation payable equals €20,000 or 90% of the covered investor's claim, whichever is lower.