



Investor Compensation Fund (ICF) Guidance Document

Version 1.0

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1. Introduction

The Investor Compensation Fund (ICF) is established under the Investment Services and Activities and Regulated Markets Law of 2007 (Law 87(I)/2007) and Directive DI87-07 of 2019 issued by the Cyprus Securities and Exchange Commission (CySEC). This document provides comprehensive guidance on the operation, coverage, and processes of the ICF to ensure that investors are aware of their rights and the protection available to them.

2. Legal Framework

The ICF operates under the provisions of:

- The Investment Services and Activities and Regulated Markets Law of 2007
- Directive DI87-07 of 2019
- Investment Firms (IF) Law 2002 as amended and replaced by Law 87(I) 2017
- The Establishment and Operation of an Investor Compensation Fund for Customers of CIFs Regulations of 2004

These laws and directives stipulate the creation, administration, and functioning of the ICF to protect clients of Cyprus Investment Firms (CIFs).

3. Purpose and Objectives

The primary purpose of the ICF is to secure claims of covered clients against CIFs through the payment of compensation in cases where a CIF fails to fulfill its obligations. This compensation aims to protect investors and maintain confidence in the financial system.

4. Governance and Administration

The ICF is administered by an Administrative Committee of five members designated for a three-year term. The roles and responsibilities of the committee include:

- Ensuring the effective operation and management of the ICF.
- Making decisions regarding the initiation of the compensation process.
- Overseeing the review and approval of compensation claims.

The committee meets regularly, at least quarterly, to review the fund's status, assess claims, and make necessary administrative decisions.

5. Membership and Contributions

Membership Criteria:

- All Cyprus Investment Firms (CIFs) must be members of the ICF.

Contribution Structure:

- Annual contributions: Each member contributes annually based on their financial standing and volume of business.
- Extraordinary contributions: Additional contributions may be required in exceptional circumstances to ensure the fund's adequacy.
- Interest on reserves: The ICF's reserves earn interest, which contributes to the fund's financial stability.

6. Eligibility Criteria

Eligible Clients:

- Retail investors
- Small businesses
- Professional clients (under certain conditions)

Non-Eligible Clients:

- Institutional investors
- Professional investors (not covered under specific conditions)
- Government and supranational institutions
- Employees and management of the CIF
- Companies within the same group as the CIF
- Investors in relation to transactions in respect of which there has been a criminal conviction for money laundering

7. Covered Services and Financial Instruments

Covered services include:

- Investment advice
- Reception & transmission

Financial instruments in relation to which investment services are provided by the Company include:

- Money-market instruments
- Transferable securities
- Units in collective investment undertakings

8. Coverage Limits

The ICF compensates covered clients up to a maximum amount of €20,000 per investor, regardless of the number of accounts held, currency, or place of offering the investment service.

9. Compensation Process

1. Initiation: When a CIF is unable to meet its obligations, CySEC will determine the initiation of the compensation process.
2. Claim Submission: Affected clients must submit their claims within a set period announced by CySEC.
3. Review: The ICF reviews claims to determine eligibility and the amount of compensation.
4. Payment: Approved claims are compensated up to the coverage limit.

10. Calculation of Compensation

The amount of compensation payable to each covered client is calculated according to the legal and contractual terms governing their relationship with the member. The calculation considers the sum of total established claims of the covered client against the member arising from all covered services provided. If the claim exceeds €20,000, the claimant receives a lump sum of €20,000.

Examples:

- If a client has claims totalling €15,000, they will receive €15,000.
- If a client has claims totalling €30,000, they will receive the maximum compensation of €20,000.

Upon completion of the valuation, the ICF:

- Issues minutes listing the clients entitled to compensation and the amount each is to receive. These are communicated to CySEC and the member within five working days from issuance.
- Communicates to each affected client the total compensation amount they are entitled to within fifteen days from the issuance of the minutes.

11. Exclusions from Compensation

The ICF does not cover:

- Institutional and professional investors not eligible under specific conditions.
- Companies in the same group as the CIF.
- Investors convicted of money laundering.
- Directors, management, and major shareholders of the CIF.

12. Funding Mechanism

The ICF is funded through:

- Annual contributions from CIFs.
- Extraordinary contributions if necessary.
- Interest on the ICF's reserves.

13. Application Procedure

Upon issuance of a decision to initiate the compensation payment process by a Court or by CySEC, the ICF publishes in at least three national newspapers an invitation to the covered clients to make their claims against the member. The invitation outlines the procedure for submission, including the deadline and content required.

Compensation applications must include:

- Name, address, telephone, fax numbers, and email of the claimant-client.
- Client code with the company.
- Particulars of the covered services agreement.
- Type and amount of alleged claims.
- Exposition of the particulars from which the claims and their amount are derived.
- Any other information the ICF might request.

14. Reporting and Transparency

To ensure transparency and stakeholder confidence, the ICF commits to:

- Regular reporting to stakeholders, including annual performance reviews and fund status updates.
- Publication of annual reports and financial statements.
- Ensuring all stakeholders have access to up-to-date information about the ICF's activities and financial health.

15. Contact Information

- For more information or to submit a claim, investors can contact:

Investor Compensation Fund

Cyprus Securities and Exchange Commission
27 Diagorou Street
1097 Nicosia, Cyprus
Email: icf@cysec.gov.cy
Phone: +357 22506600

- For 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
Tel: +357 22875475
Fax: +357 22754675
Email: investmentfirms@cysec.gov.cy

16. Conclusion

The ICF plays a crucial role in protecting investors and maintaining trust in the financial markets. Understanding the eligibility, coverage limits, and compensation process is essential for investors. For any further assistance, please contact CySEC or the ICF directly. This guidance document aims to provide a clear and concise overview of the ICF for investors, ensuring they are well-informed about their rights and the protection available to them under the Cypriot regulatory framework.