

# INVESTOR COMPENSATION FUND

# Earn

## Online Broker

**November 2023**

(May 2018 version reviewed, no changes applied)

## **1. MEMBERSHIP**

Top Markets Solutions Ltd (“the Company”), operating under the trade name Earn, is a member of the Investor Compensation Fund for Customers of Investment Firms (the “ICF”). The ICF operates pursuant to the provisions of Directive DI144-2007-15 of The Cyprus Securities and Exchange Commission for The Continuance Of Operation And The Operation Of The IF Investor Compensation Fund (hereinafter the “Directive”).

## **2. OBJECTIVE OF THE ICF**

Subject to the provisions of the Directive, the objective of the ICF is to secure the claims of covered clients against an Investment Firm (“IF”) which is a member of the fund through the payment of compensation for their claims arising from the covered services provided by the IF, subject to the procedure set out in paragraph 5 below.

## **3. COVERED SERVICES**

The ICF covers the following services provided by the Company:

### **Investment services and activities**

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients;
3. Dealing on own account;
4. Portfolio management;
5. Investment advice;

### **Ancillary Services**

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services, such as, cash/collateral management and excluding maintaining securities accounts at the top tier level (“central maintenance service”), as referred to in point 2 of Section A of the Annex to Regulation (EU) No 909/2014.
2. 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.
3. Foreign exchange services where these are connected to the provision of investment services.
4. Investment research and financial analysis or other forms of general recommendation relating to transaction in financial instruments.

#### **4. COVERED CLIENTS**

The ICF covers the clients of IFs who are members, excluding those listed below:

1. The following categories of institutional and professional investors:
  - (a) Ifs;
  - (b) Legal entities associated with the member of the fund and, in general, belonging to the same group of companies;
  - (c) Banks;
  - (d) Cooperative credit institutions;
  - (e) Insurance companies;
  - (f) Collective investment undertakings and their management companies;
  - (g) Social insurance institutions and funds;
  - (h) Investors categorised by the Company as professional upon their request;
2. States and supranational organisations;
3. Central, federal, confederate, regional and local administrative authorities;
4. Enterprises that have close ties with the Company. Enterprises with “close ties” or “close links” here means companies belonging to the same group as well as natural persons who directly or indirectly control that legal person or its parent company, holding a minimum percentage of 20% of the share capital or voting rights and their associates;
5. Managerial and administrative staff of the member;
6. Shareholders of the member, whose participation directly or indirectly in the capital of the member amounts to at least 5% of its share capital, or their partners, who are personally liable for the obligations of the member, as well as persons responsible for the carrying out of the financial audit of the member as provided by the Law, such as, Company’s qualified auditors.
7. Investors having investments in enterprises connected with the member and, in general, of the group of companies, to which the member belongs to, or positions and duties corresponding to the ones listed in paragraphs (5) and (6) above.
8. Second-degree relatives and spouses of the persons listed in paragraphs 5, 6 and 7, as well as third parties acting on behalf of these persons.
9. Investors convicted of a criminal offense for the said transactions, pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007 and investors-clients of a member of the Fund responsible for facts pertaining to the member of the Fund that has caused its financial difficulties or have contributed to the worsening of its financial situation or, which have profited from these facts.
10. Companies (investors), which due to their size are not allowed to draw a summary balance sheet in accordance with the Companies Law or corresponding law of a Member State.

In the cases of paragraphs 5, 6, 7 and 8, the member suspends the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

#### **5. PRECONDITIONS FOR THE INITIATION OF THE COMPENSATION PAYMENT PROCEDURE BY THE ICF**

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

1. The Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) has determined by a decision that the member, which has subscribed to the ICF, is unable, at present, to meet its obligations arising from its investors-customers’ claims, in connection with the provision of investment services or the ancillary services of Law 87(I)/2017, provided that such inability is directly related to its financial circumstances in respect to which there is no foreseeable realistic prospect of improvement in the near future, or
2. A court has, on reasonable grounds directly related to the financial circumstances of a member which has subscribed to the ICF, issued a ruling which has the effect of suspending the investors ability to lodge claims against the said member.

Subject to the provisions of the Directive, the ICF compensates the covered clients for claims arising from the covered services provided by its members, so long as failure by the member to fulfil its obligations has been ascertained, in accordance with the terms and procedure defined in the Directive, notwithstanding a relevant obligation by the member of the ICF 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 member of the ICF is based on the agreement or on wrongdoing.

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

1. Either to return to its covered clients funds owed to them or funds which belong to them but are held by the member, directly or indirectly, in the framework of the provision by the said member to the said clients of covered services, and which the latter requested the member to return, in exercise of the relevant right or;
2. To hand over to the covered clients’ financial instruments which belong to them and which the member of the ICF holds, manages or keeps on their account, including the case where the member is responsible for the administrative management of the said financial instruments.

## **6. INVITATIONS FOR SUBMISSION OF APPLICATIONS**

On the commencement of the compensation payment process, the ICF publishes in at least three newspapers of national coverage, an invitation to the covered clients to make their claims against the member of the ICF arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

The compensation applications of covered clients with which they make their claims against a member of the ICF are submitted to the ICF in writing. The compensation applications must include:

1. The name of the claimant;
2. The address, telephone and fax number as well as any email address of the claimant
3. The client code that the claimant had for the member of the ICF;
4. The particulars of the covered services agreement between the member of the ICF and the claimant;
5. The type and amount of the alleged claims of the claimant; and
6. The particulars from which the alleged claims of the claimant and their amount are derived;
7. The ICF may ask for more information included in the compensation application, which it communicates with its publication in at least three newspapers of national coverage, as well

as, in the Official Gazette of the Republic of Cyprus and puts a catalogue with this information at the disposal of investors, at its offices and/or at the offices of the member of the ICF.

## **7. AMOUNT PAYABLE**

The amount of compensation toward investor-clients of ICF members shall be up to a maximum amount of 20,000EUR and the said coverage applies to the total amount of claims of an investor toward an ICF member irrespective of the number of accounts, currency and place of provision of the service. In the case of a joint investment operation, the part of the claim attributable to each investor is taken into account. Joint investment operation means covered investment service or the ancillary service, which is carried out on behalf of two or more beneficiaries, and generally persons who have a right which may be exercised upon the signature of one or more such persons.

The amount of the 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 member of ICF, subject to the set-off rules applied for the calculation of the claims between the covered client and the member of the ICF.

The valuation of the financial instruments pertaining to the compensation payable to the covered client is carried out based on their value at the day:

1. of publication of the court ruling as mentioned above in paragraph V; or
2. of publication of the decision of the CySEC as mentioned in paragraph V.

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

Insofar as the amount of the claim determined exceeds the amount of €20.000, the claimant receives as compensation the lump sum of the amount of €20.000.

Insofar as a member of the ICF provides services to its clients through a branch situated in a third country, the amount of the maximum compensation payable to the clients of the said branch comes up, per client, to the lump sum paid by any investor compensation scheme in operation in the said third country, without however this amount exceeding the amount of €20.000. If in the third country an investor compensation scheme is not in operation, the maximum amount of payable compensation per client of €3.417.

In the case whereby beneficiaries of a Joint Account of a member of the ICF are in their majority covered clients:

1. the maximum amount payable to all co-beneficiaries of the account comes up to the amount of 20,000EUR or, as the case may be, if in third country, and
2. 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 member of the ICF, otherwise, in the absence of such agreement, it is divided equally amongst them.

Upon completion of the valuation, the ICF:

1. issues minutes listing the clients of the member of the ICF which are beneficiaries of compensation along with the amount of money each one of them is entitled to receive, and communicates it to the CySEC and the member of the ICF within 5 working days from its issue; and
2. communicates to each affected client its finding no later than 15 days from the issue of the minutes, specifying the amount.

The claimant, to whom the ICF communicates the total compensation amount to which he is entitled, in case he disagrees with the ICF's decision, has the right within 10 days from the communication of the decision to appeal to the CySEC, sufficiently justifying his alleged claim.

The ICF is obliged to pay to each covered client (claimant) the compensation within 3 months from the time that the minutes on the compensation beneficiaries were sent to the CySEC.

The payment of the compensation by the ICF is deposited to a bank account of the covered client-claimant designated by the latter in writing to the ICF.

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

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

27 Diagorou Street, Nicosia 1097

Postal address: P.O. Box 24996, 1306 Nicosia

E-mail address: [investmentfirms@cysec.gov.cy](mailto:investmentfirms@cysec.gov.cy)

Tel. no: 22 506600

Fax no: 22 506700

For any further information regarding the Regulations, please refer to the website of CySEC at: <http://www.cysec.gov.cy/>