



**CONSULTATION PAPER ON THE REPLACEMENT OF THE LEGAL  
FRAMEWORK GOVERNING THE OPERATION OF THE INVESTOR  
COMPENSATION FUND**

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ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

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## A. INTRODUCTION

In the context of enacting effective consultation procedures with market participants regarding the proposed changes in the national legal framework, the Cyprus Securities and Exchange Commission (the “CySEC”) is circulating this Consultation Paper.

CySEC proceeded with the preparation of the Draft Proposed Directive (the «Draft Proposed Directive”) attached as **Annex**, in replacement of Directive 144-2007-15 of 2015 of the Cyprus Securities and Exchange Commission for the Operation and Continuance of Operation of the CIF Investor Compensation Fund and Directive 144-2007-09 of 2012 of the Cyprus Securities and Exchange Commission on the General Meeting of the Members of the ICF for IF clients.

The proposed replacement forms the first of two phases for the universal change in the mode of operation of the Investor Compensation Fund (the “ICF”) in relation to the entities supervised by CySEC. The said project will be implemented in two phases in order to promptly make the necessary improvements to the existing legal framework and allow the market to smoothly adapt.

Upon replacement of Directives 144-2007-15 and 144-2007-09, the second phase of changes will follow at a later stage during which it is expected that a proposal for the amendment of the calculation of the annual regular contribution of ICF members will be put to consultation, taking into account the risks entailed by the specific categories or sub-categories of members.

At this stage, a study is being conducted for the determination of the proposed annual regular contribution so as to ensure that the ICF will be in a position to withstand an adverse scenario without disturbing market stability. Furthermore, the possibility of defining the limit of a possible extraordinary contribution of members as well as whether the creation of two Funds with the participation of specific member categories is appropriate and/or feasible, are also examined.

## B. GENERAL FACTORS TAKEN INTO ACCOUNT

CySEC took, *inter alia*, into account the following factors:

1. Investor protection and their maintenance of confidence in the financial system form the cornerstone for the smooth operation of the market.
2. Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor compensation scheme provides, *inter alia*, that investor compensation schemes should guarantee a minimum level of protection to investors in case a member fails to fulfil its obligations towards its clients.
3. The covered funds and the financial instruments of ICF members show an upward trend in recent years, while raising funds from member contributions is disproportionately lower, due to several restrictive factors included in the legal framework of operation of the ICF currently in force.
4. The sector in which a large part of ICF members operate poses increased risks.
5. The maintenance of adequate funds is essential in order to enable the ICF to withstand a possible adverse scenario without disturbing market stability.
6. Raising funds with higher contributions on an annual basis is in the interest of members, since its aim is to reduce and/or eliminate the need to impose unforeseen extraordinary contributions at very high levels, which may disturb the smooth operation of ICF members and generally the market. Raising funds, however, should be done on an equitable basis, which will reflect the risk of each respective member.
7. The robustness of ICF forms a significant parameter to maintain investors' confidence.
8. The ICF needs to keep separate funds to cover administrative and/or other expenses incurred in the context of its operation so as not to affect the amount of the funds available for providing compensation to covered investors. This need is supported by the numerical increase of ICF members, which unavoidably leads to increased operational needs of the ICF.
9. The amount of the initial contribution is very low and there are categories of members, that although there is an obligation to participate as ICF members, they pay no contribution due to the nature of the work they carry out (e.g. members that do not hold

clients funds or assets). For the smooth operation of the ICF, all members should contribute thereto, limiting however, the contribution of members whose nature of work justifies that such contribution is kept to a minimum.

10. Under the relevant European legislation, there is now a requirement for other legal persons besides CIFs to participate in the ICF.

## **C. MAIN CHANGES AND SPECIAL FACTORS**

### **I. PARTICIPATION IN THE ICF AND PAYMENT OF INITIAL CONTRIBUTIONS**

All Cypriot Investment Firms (“CIFs”) holding a CIF authorization continue to participate in the ICF, since participation in the Compensation Fund forms a requirement for holding a CIF authorization pursuant to Article 17 of the Investment Services and Activities and Regulated Markets Law of 2007 as in force.

The obligation to participate in the ICF applies to all investment services and to ancillary custody services irrespective of whether clients’ funds and financial instruments are held.

The Alternative Investment Fund Managers providing the services of paragraph 6 of Section 6 of the Alternative Investment Fund Managers Law of 2013 and the management companies providing the services of paragraph 4 of Section 109 of the Open-Ended Undertakings for Collective Investments Law of 2012, have been however added to the Draft Directive as participating members since there arises an obligation to participate therein by the legislation in force.

The payment of initial contributions shall be made by candidate members or existing members prior to obtaining an authorisation to operate and/or prior to extending the authorisation to operate respectively, upon receiving relevant instructions by CySEC.

The amounts to be paid as initial contributions are set out in Paragraph 10 of the Draft Proposed Directive. Members not holding in any way funds and/or financial instruments of clients (e.g. firms providing solely the investment service of investment advice), shall not, *de facto* pay a regular annual contribution; they will however, pay an annual fee as ICF members to cover the administrative expenses of ICF, pursuant to paragraph 12 of the Draft Proposed Directive.

Questions:

1. Do you agree with the amount of the initial contribution?
  2. Do you agree with the amount of the annual fee to cover administrative and/or other expenses arising in the context of ICF's operation?
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## II. REGULAR ANNUAL CONTRIBUTION

It is necessary to promptly submit the statements of eligible funds and financial instruments and this information should not be of dubious accuracy. The procedure provided for in the existing legal framework in cases there is a delay in the submission of information and/or submission of information of dubious accuracy, is time-consuming and is not adequately effective.

To deal with the above as well as with other risks, which arise, two methods have been created for the calculation of the annual regular contribution of members in Paragraph 11 of the Draft Proposed Directive. Members submitting on time the relevant information and certificates with no remarks by their external auditors shall enjoy a lower contribution compared to members not submitting the relevant information on time and/or whose certificates by their external auditors have remarks.

Members paying the amount due by 15 May each year shall enjoy a further reduction in the calculated contribution of the order of 80%.

Question:

3. Do you agree with the new method of calculating the annual regular contribution?

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### III. PAYMENT OF EXTRAORDINARY CONTRIBUTION

Regarding the method of calculation of the extraordinary contribution, a provision has been added to Paragraph 13 of the Draft Proposed Directive, which enables CySEC to calculate the extraordinary contribution per category or sub-category of members, in order for this to be effected on a basis reflecting the risk of each category or sub-category of members at the time, rather than on a single basis for all members, taking, however, into account the interests and the viability of ICF members.

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Question:

4. Do you agree with CySEC being able to calculate the extraordinary contribution per category or sub-category of members?

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### IV. REDUCED COMPENSATION AND BENEFICIARIES ON A JOINT INVESTMENT BUSINESS

In order to encourage investors to exercise due care in choosing an investment firm, the discretion provided for in Article 4(4) of the European Directive 97/9/EC has been exercised in Paragraph 26 of the Draft Proposed Directive for coverage under €20.000, i.e. the lower of 90% of the cumulative covered claims of the covered client and €20.000.

Furthermore, the discretion provided for in Article 8(2) of European Directive 97/9/EC has been exercised in the same Paragraph for the payment of compensation equal to the maximum coverage limit by the ICF to each co-beneficiary, in the cases of a joint investment business.

Questions:

5. Do you agree with the exercise of discretion for the provision of reduced coverage to investors?
  6. Do you agree with the exercise of discretion for the payment of compensation equal to the maximum coverage limit by the ICF to each co-beneficiary in the cases of a joint investment business?
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#### **V. MONEY REFUND AND TERMINATION OF PAYMENT OF CONTRIBUTIONS**

In view of the fact that the eligible funds and financial instruments of the clients of ICF members have an upward trend in recent years, while raising funds from member contributions is disproportionately lower due to the various restrictive factors included in the applicable legal framework of operation of the ICF, and taking into account the approach followed by other Member States, and that the maintenance of adequate funds is essential to enable the ICF to withstand an adverse scenario, without disturbing market stability, the factors that hinder fund raising have been lifted in the Draft Proposed Directive.

In particular, a provision has been included in Paragraph 9 of the Draft Proposed Directive stating that the contributions and the fees paid to the Fund do not form an asset of the Fund members and, therefore, no amount may be refunded to the members at any stage and there are no provisions regarding the termination of payment of contributions by members.

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Questions:

7. Do you agree with the non-refund of funds to ICF members?
  8. Do you agree with the non-inclusion of provisions regarding the termination of payment of contributions by ICF members?
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## VI. MISCELLANEOUS

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Question:

9. Do you have any disagreement or comment on the remaining provisions of the Draft Proposed Directive?

If yes, refer to the specific sub-paragraph or paragraph of the Draft Proposed Directive and then state your comments. If your comments pertain to more than one Paragraphs, please refer to them in ascending order.

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#### **D. GUIDANCE IN RELATION TO THE SUBMISSION OF VIEWS/COMMENTS**

CySEC seeks to collect the views of all interested parties, by answering the questions and submitting comments in relation to the proposed texts.

Therefore, CySEC invites you to submit your comments/views in a Word document by 5 May 2017, to [tae@cysec.gov.cy](mailto:tae@cysec.gov.cy).

The subject of the email should have the following form:

*«Consultation Paper (2017 - 02) – Name of Organisation, Legal or Natural Person submitting the comments or views».*

When submitting your comments/views, please indicate if you represent an agency or a specific undertaking, or if you are an individual. In the case of organized groups, please give information on the number and nature of the persons or undertakings you represent.

**Please answer the questions in the order they appear in this document.**

**ANNEX**

The present English text is for information purposes only and is not legally binding. The legally binding document is in the Greek language.

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<p>Official Gazette of the EU: L 084, 26.03.1997 p. 0022 - 0031</p>	<p>The Cyprus Securities and Exchange Commission, in exercising the powers conferred upon it by Article 64 of the Investment Services and Activities and Regulated Markets Law of 2007, issues the following Directive, for the purpose of harmonization with the act of the European Community titled Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on Investor Compensation Schemes, in replacement of:</p>
<p>R.A.A. 175/2015</p>	<p>(a) Directive 144-2007-15 of 2015 of the Cyprus Securities and Exchange Commission for the continuance of the operation and the operation of the IF Investor Compensation Fund;</p>
<p>R.A.A. 481/2012</p>	<p>(b) Directive 144-2007-09 of 2012 of the Cyprus Securities and Exchange Commission on the general meeting of the members of the ICF for IF clients.</p>

PART I  
INTRODUCTORY PROVISIONS

<p>Short title</p>	<p>1. This Directive shall be cited as the Investor Compensation Fund Directive or the ICF Directive.</p>
<p>Interpretation</p>	<p>2. (1) In this Directive, unless the context otherwise prescribes:</p> <p>«claimant» shall mean the investor-client of a Fund member who submits an application to the Fund for the payment of compensation as defined in Part V;</p> <p>«liquidation procedure» shall mean the liquidation procedure as defined in Part V of the Companies Law, and include all collective measures governing the operation of the Fund member and entail the prohibition or limitation of the power to dispose of assets of the Fund member;</p>
<p>Cap. 113 9 of 1968 76 of 1977 17 of 1979 105 of 1985 198 of 1986 19 of 1990 46(I) of 1992 96(I) of 1992 41(I) of 1994 15(I) of 1995 21(I) of 1997 ANNOUNC.2331 82(I) of 1999 149(I) of 1999 2(I) of 2000 135(I) of 2000</p>	<p>«liquidation procedure» shall mean the liquidation procedure as defined in Part V of the Companies Law, and include all collective measures governing the operation of the Fund member and entail the prohibition or limitation of the power to dispose of assets of the Fund member;</p>

151(I) of 2000  
76(I) of 2001  
70(I) of 2003  
167(I) of 2003  
92(I) of 2004  
24(I) of 2005  
129(I) of 2005  
130(I) of 2005  
98(I) of 2006  
124(I) of 2006  
70(I) of 2007  
71(I) of 2007  
131(I) of 2007  
186(I) of 2007  
87(I) of 2008  
41(I) of 2009  
49(I) of 2009  
99(I) of 2009  
42(I) of 2010  
60(I) of 2010  
88(I) of 2010  
53(I) of 2011  
117(I) of 2011  
145(I) of 2011  
157(I) of 2011  
198(I) of 2011  
64(I) of 2012  
98(I) of 2012  
190(I) of 2012  
203(I) of 2012  
6(I) of 2013  
90(I) of 2013  
74(I) of 2014  
75(I) of 2014  
18(I) of 2015  
62(I) of 2015  
63(I) of 2015  
89(I) of 2015  
120(I) of 2015  
40(I) of 2016  
90(I) of 2016  
97(I) of 2016.

«Administrative Committee» shall mean the administrative committee established and operating pursuant to the provisions of Articles 60 and 61 of the Law and of Part VI of this Directive;

56(I)/2013  
8(I)/2015  
97(I)/2015

«Alternative Investment Fund Manager» or «AIFM» shall have the meaning given to this term in Article 2 of the Alternative Investment Fund Managers Law of 2013;

	<p>«persons who effectively direct the Fund member» or «members of the board of directors of the Fund member» means the members of the board of directors of the Fund member;</p>
Second Schedule	<p>«professional investor» shall mean the persons specified in the Second Schedule;</p> <p>«investor» or «client» shall mean the natural or legal person or union of persons or group of assets devoid of legal personality who are clients of a Fund member;</p> <p>«investment operations» for the purposes of this Directive shall mean:</p> <p>(a) any investment services and/or investment activities of Article 2 of the Law and/or the ancillary service of paragraph (1) of Part II of the Third Appendix of the Law;</p> <p>(b) the services of section 6 of Article 6 of the Alternative Investment Fund Managers Law of 2013 provided by Alternative Investment Fund Managers;</p> <p>(c) the services of section 4 of Article 109 of the Open-ended Undertakings for Collective Investment Law of 2012 provided by a management company.</p>
56(I)/2013 8(I)/2015 97(I)/2015	
Law no.78(I)/2012 Law no.88(I)/2015 Law no.52(I)/2016	
Law no.73(I)/2009 Law no.5(I)/2012 Law no. 65(I)/2014 Law no.135(I)/2015 Law no. 109(I)/2016	<p>«Securities and Exchange Commission» or «Commission» shall mean the legal person of public law governed by the Cyprus Securities and Exchange Commission Law;</p>
	<p>«management companies» shall have the meaning given to this term in Section 2 of the Open-ended Undertakings for Collective Investment Law of 2012 as in force at the time;</p>
First Schedule	<p>«eligible funds and financial instruments of clients» shall have the meaning given to this term in the First Schedule;</p> <p>«covered client» shall mean a client of a Fund member who is covered by the Fund for claims against a Fund member arising from the investment operations provided by the Fund member;</p> <p>«joint investment business» shall mean investment business carried out for the account of two or more persons or over which two or more persons have rights that may be exercised by means of the signature of one or more of those persons;</p> <p>«Fund member» or «ICF member» or «member» shall mean:</p> <p>(a) A CIF pursuant to Section 2 of the Law, which has become a Fund member;</p>

- (b) A third country IF branch established in the Republic pursuant to Article 78 of the Law, which has become a Fund member;
- (c) A Member State IF branch of paragraph 5;
- (d) An Alternative Investment Fund Manager providing the services of paragraph 6 of Section 6 of the Alternative Investment Fund Managers Law of 2013, which has become a Fund member;
- (e) A management company providing the services of paragraph 4 of Section 109 of the Open-ended Undertakings for Collective Investment Law of 2012, which has become a Fund member.

«non-professional investor» shall mean an investor who is not a professional;

«non-covered client» shall have the meaning given to this term by the Second Schedule;

«Law» shall mean the Investment Services and Activities and Regulated Markets Law of 2007;

144(I) of 2007  
106(I) of 2009  
141(I) of 2012  
154(I) of 2012  
193(I) of 2014  
8(I)/2016

«AIFM Law» shall mean the Alternative Investment Fund Managers Law of 2013;

56(I)/2013  
8(I)/2015  
97(I)/2015

«UCITS law» shall mean the Open-ended Undertakings for Collective Investment Law of 2012;

Law no.78(I)/2012  
Law no.88(I)/2015  
Law no.52(I)/2016

«Fund» or «Investor Compensation Fund» or «ICF» shall mean the investor compensation fund of clients-members of the Fund operating under Section 59(1) and (2) of the Law whose competences and operations are regulated by the provisions of the Law and of this Directive.

- (2) Without prejudice to the provisions of paragraph (1), any terms used in this Directive and not otherwise construed shall have the meaning attributed thereto in the Law.
- (3) Any reference in this Directive to a Paragraph shall be a reference to a Paragraph of this Directive and reference to a sub-paragraph shall be a reference to a sub-paragraph of a Paragraph of this Directive.

PART II  
SUBSCRIPTION, OBJECT AND WITHDRAWAL OF A MEMBER  
FROM THE FUND

- |  |   |
|--|---|
| Subscription to the Fund.                      | <p>3. (1) The following shall subscribe as members to the Fund:</p> <ul style="list-style-type: none"> <li>(a) CIFs ;</li> <li>(b) Member State IFs branches of Paragraph 5;</li> <li>(c) Third Country IFs branches of Paragraph 4 established in the Republic pursuant to Article 78 of the Law;</li> <li>(d) Alternative Investment Fund Managers providing the services of paragraph 6 of Section 6 of the AIFM Law;</li> <li>(e) Management companies providing the services of paragraph 4 of Section 109 of the UCITS Law.</li> </ul> <p>(2) The persons who have applied to the Securities and Exchange Commission for an authorization as an entity of sub-paragraph (1) shall, upon being instructed by the Securities and Exchange Commission, promptly submit a duly completed application for subscription to the Fund in order to obtain membership status and, in any case, must have subscribed to the Fund before they begin to provide any investment operations.</p> |
| Subscription of branches of third country IFs. | <p>4. (1) Subject to the provisions of Sections 58 and 78(7) of the Law, third country IFs and maintain a branch in the Republic shall obligatorily subscribe to the Fund if no coverage, which is at least equivalent to that provided for in this Directive is provided to their covered clients in the Republic.</p> <p>(2) The existence of the condition of sub-paragraph (1) shall be determined by the Securities and Exchange Commission upon submission of a relevant request in the context of the procedure of Section 78 of the Law regarding the establishment of a branch in the Republic.</p>  |
| Subscription of branches of Member State IFs.  | <p>5. (1) Where IFs have obtained authorization to operate by another Member State and have established a branch in the Republic, the said branch may voluntarily subscribe to the Fund when the amount and/or extent, including the percentage of the coverage offered by the Fund, exceeds the amount and/or extent of the coverage provided in the Member State in which the IF has obtained authorization to operate, in order to complete the coverage already enjoyed by the investors of the branch as a result of its participation in the compensation system of its Member State of origin.</p> <p>(2) In the cases of voluntary subscription to the Fund of branches established in the Republic by IFs which have obtained an authorization to operate by other Member States, pursuant to the</p>  |

- provisions of sub-paragraph (1), the Fund shall complete the coverage for the covered clients of the said branches.
- (3) The Fund shall determine objective requirements of general application regarding the subscription of branches pursuant to the provisions of sub-paragraph (1). The acceptance of these branches to the Fund shall depend on whether the subscription-related obligations are fulfilled, including the payment of all relevant contributions and other charges.
- Third Schedule (4) In the application of this paragraph, the guidelines set out in the Third Schedule shall apply.
- It is provided that the said guidelines shall also apply to the case where a CIF branch chooses to voluntarily participate in an investor-compensation scheme of another Member State.
- Object of the Fund. 6. The object of the Fund shall be to secure the claims of covered clients against the Fund members through the payment of compensation.
- Withdrawal of a member. 7. (1) Where a Fund member loses for any reason the authorization to operate granted by the Securities and Exchange Commission, it shall promptly inform the Fund in order to withdraw from membership.
- (2) The Fund shall publish the withdrawal of a member in at least two national newspapers and inform the Securities and Exchange Commission accordingly in order for the Commission to announce the said information on its website.
- (3) The loss of Fund membership status shall not mean loss of rights of covered clients to receive compensation in relation to investment operations carried out until such loss of membership status, if the conditions for compensation are fulfilled pursuant to this Directive, not shall it obstruct the initiation of the compensation procedure for covered clients.
- (4) Any pending dues of a member to the Fund shall continue to exist until settlement thereof irrespective of the membership withdrawal.

PART III  
CAPITAL AND RESOURCES OF THE FUND – CONTRIBUTIONS OF MEMBERS

- Capital and property of the Fund. 8. (1) The capital of the Fund on the date this Directive enters into force shall comprise the initial, regular annual and extraordinary supplementary contributions made by Fund members up to the aforementioned date and the amounts corresponding to the resources of Paragraph 9 shall be added to it, hereafter.
- Fund resources. 9. (1) Fund resources shall comprise:

- (a) initial regular annual and extraordinary supplementary contributions made by its members as prescribed in this Directive;
  - (b) proceeds from investments of the Fund's available funds as specifically defined in Paragraph 54;
  - (c) proceeds of the Fund from donations or *ex gratia*;
  - (d) annual fees paid by its members to cover administrative and/or other expenses arising in the context of the Fund's operation pursuant to the provisions of this Directive.
- (2) The contributions and the fees of Fund members shall be paid into the accounts kept with banks operating in the Republic communicated by the Fund to its members.
- (3) Contributions and fees paid to the Fund shall not form an asset of Fund members and, therefore, no amount may be refunded to the members, at any stage.
- Initial contributions of 10. members.
- (1) To obtain membership status to the Fund, candidate members shall pay an initial contribution as prescribed in sub-paragraphs (2) and (3).
  - (2) The amount of the initial contribution, shall be fixed per investment operation, for which the Fund member or the candidate for Fund membership is seeking authorisation from the Securities and Exchange Commission:
    - (a) ten thousand Euro (€10.000) for the investment service of paragraph (1) of Part I of the Third Appendix of the Law;
    - (b) sixteen thousand Euro (€16.000) for the investment service of paragraph (2) of Part I of the Third Appendix of the Law;
    - (c) thirty-five thousand Euro (€35.000) for the investment service of paragraph (3) of Part I of the Third Appendix of the Law;
    - (d) thirty-two thousand five-hundred Euro (€32.500) for the investment service of paragraph (4) of Part I of the Third Appendix of the Law;
    - (e) ten thousand Euro (€10.000) for the investment service of paragraph (5) of Part I of the Third Appendix of the Law;
    - (f) twenty thousand Euro (€20.000) for the investment service of paragraph (6) of Part I of the Third Appendix of the Law;
    - (g) ten thousand Euro (€10.000) for the investment service of paragraph (7), of Part I of the Third Appendix of the Law;

- (h) ten thousand Euro (€10.000) for the investment service of paragraph (8), of Part I of the Third Appendix of the Law;
  - (i) thirty-five thousand Euro (€35.000) for the ancillary service of paragraph (1) of Part II of the Third Appendix of the Law;
  - (j) thirty-two thousand five-hundred Euro (€32.500) for the service of paragraph (a) of clause (4) of Article 109 of the UCITS Law;
  - (k) ten thousand Euro (€10.000) for the ancillary service of point (i) of paragraph (b) of clause (4) of Article 109 of the UCITS Law;
  - (l) thirty-five thousand Euro (€35.000) for the ancillary service of point (ii) of paragraph (b) of clause (4) of Article 109 of the UCITS Law;
  - (m) thirty-two thousand five-hundred Euro (€32.500) for the service of paragraph (a) of clause (6) of Article 6 of the AIFM Law;
  - (n) ten thousand Euro (€10.000) for the ancillary service of point (i) of paragraph (b) of clause (6) of Article 6 of the AIFM Law;
  - (o) thirty-five thousand Euro (€35.000) for the ancillary service of point (ii) of paragraph (b) of clause (6) of Article of the AIFM Law;
  - (p) ten thousand Euro (€10.000) for the ancillary service of point (iii) of paragraph (b) of clause (6) of Article 6, of the AIFM Law.
- (3) Membership status to the Fund shall not be obtained before full payment of the initial contribution pursuant to this Directive.
- (4) Where in the course of its operation a Fund member is seeking to obtain an authorization for an additional investment operation, out of those listed in sub-paragraph (2), it shall pay an additional contribution to the Fund equal to an amount corresponding to that prescribed pursuant to the provisions of sub-paragraph (2).
- (5) The payment of the additional contribution as prescribed in sub-paragraph (4) shall be concluded upon request by the Securities and Exchange Commission and in any case before this member commences to provide the new service.
- Regular annual contribution of members.      11.      (1) The amount of the regular annual contribution of each member shall be determined as prescribed in sub-paragraph (3) and in accordance with a statement that shall be submitted to the Fund by each member by 31 March of each current year, in relation to

First Schedule

the eligible funds and financial instruments of its covered clients for the previous year.

It is provided that the members shall submit the statement of eligible funds and financial instruments of their covered clients taking into account the provisions of the First Schedule and shall submit the aforementioned statement, also in the cases where the relevant amounts are nil.

- (2) The statement of eligible funds and financial instruments submitted by each Fund member pursuant to sub-paragraph (1) shall be accompanied by a certificate of assurance by the external auditor of each member regarding its correctness.
- (3) The regular annual contribution of each Fund member shall be calculated as follows:
  - (a) where the statement of the eligible funds and financial instruments of the previous year is submitted by 31 March of the current year and is accompanied by a certificate of assurance by the external auditor of the member, which has no remarks other than assuring its correctness, the regular annual contribution shall be calculated as a percentage of five per thousand (5 0/00) of the eligible funds and financial instruments of the member's covered clients as defined in the First Schedule, calculated on the funds and financial instruments of the previous year,  
  
or
  - (b) where the statement of the eligible funds and financial instruments is not submitted by 31 March of the current year or is not accompanied by a certificate of assurance by the external auditor of the member or there are remarks on the certificate of assurance of the external auditor, other than assuring its correctness, the regular annual contribution shall be calculated as the higher of two-hundred thousand Euro (€200.000) and one per cent (1%) of the eligible funds and financial instruments of the member's covered clients, of the last year for which a statement of eligible funds and financial instruments had been submitted, accompanied by a certificate of assurance by the external auditor of the member, with no remarks other than assuring its correctness thereon.

It is provided that in the cases of clause (b), the Fund may not calculate the regular annual contribution as prescribed in the said clause and apply the provisions of Paragraphs 60, 61 and 62 instead.

- (4) The regular annual contribution shall be paid by each member by 31 May each year.

- (5) A discount of 80% regarding the regular annual contribution calculated under clause (a) of sub-paragraph 3 shall be provided, if the member pays the amount by 15 May each year.

It is provided that no discount shall be provided for contributions calculated under clause (b) of sub-paragraph 3.

- (6) The amount corresponding to the annual contribution provided for in sub-paragraph (1) shall be communicated to the Fund members no later than 30 April each year.

- (7) The Fund shall reserve the right to have free access to the accounting information of each member as well as to the books and/or records kept pursuant to the legislation in force at the time in the Republic in order to verify the accuracy of the information provided to the Fund by its members and shall cooperate to this end with the Securities and Exchange Commission.

Annual fee to cover 12. administrative expenses of the Fund.

Fund members shall pay an annual fee of seven-hundred Euro (€700) to cover administrative and/or other expenses arising in the context of the Fund's operation by 31 May each year.

Extraordinary supplementary contribution of members.

13. (1) The Securities and Exchange Commission, shall:

- (a) call upon Fund members to pay an extraordinary supplementary contribution if it deems that the existing capital for the payment of compensation are inadequate;
- (b) fix the amount of the extraordinary supplementary contribution as an amount to be paid by Fund members and set a maximum limit for the percentage payable per Fund member in relation to the eligible funds and financial instruments of the covered clients of its members in the previous year;
- (c) determine, subject to the provisions of clause (e), the amount and the manner of calculation of the amount of clause (b), either as a single amount for all Fund members or per category of members or per sub-category of members, as it may determine;

It is provided that in the case of calculation of the extraordinary supplementary contribution per category or sub-category of members, the Securities and Exchange Commission may determine, the categories or sub-categories of members.

- (d) set the deadline and other formalities relating to the payment of the extraordinary supplementary contribution;

- (2) In determining the amount of the extraordinary supplementary contribution and the deadline for its payment pursuant to the provisions of sub-paragraph (1), the Securities and Exchange Commission shall take into account the reasonable interests and viability of Fund members.
- (3) The Fund shall inform its members with respect to the decision issued pursuant to the provisions of sub-paragraph (1).
- Borrowing. 14. (1) Whenever the Fund deems that its liquid assets do not suffice for the payment of the compensation due or likely to occur to covered clients, it may, with the agreement of the Securities and Exchange Commission, contract loans or other credits with banks in the Republic or abroad:
- It is provided that the Fund shall communicate the reasons imposing such borrowing to the Ministry of Finance.
- (2) In the case of sub-paragraph (1), the Fund shall call upon its members, within one month from contracting the loan or the credit, to pay an extraordinary supplementary contribution of a total amount equal to the loan or credit received, subject to the criteria of Paragraph 13 regarding the determination of the proportion of the contribution of each member.
- Insurance coverage. 15. (1) The Fund may, with the agreement of the Securities and Exchange Commission, enter into an insurance policy for the insurance coverage of its obligations, wholly or partly, against the covered clients, and the premia paid in relation thereto may be allocated, wholly or partly, in proportion to Fund members.
- It is provided that the Fund shall inform the Securities and Exchange Commission of any amendment thereof including its termination.
- (2) The insurance coverage may be provided by one or more insurance companies legally established in the Republic or in a Member State.

#### PART IV INVESTOR INFORMATION

- Investor information. 16. (1) Fund members shall inform their clients at least in Greek and in English of:
- (a) the coverage provided by the Fund;
  - (b) the covered clients;
  - (c) the maximum amount of the compensation payable to clients for their total claims;

- (d) the conditions and formalities for the payment of compensation.
- (2) Investor information shall be provided by making available, free of charge, at the headquarters and branches of the Fund member, relevant detailed prospectuses in the Greek and English languages, which shall be drawn in an understandable and clear manner as well as the publication of the said information on the website of each Fund member.
- It is provided that the Fund members shall ensure that adequate and updated information is posted on their website and an adequate number of prospectuses are available at their headquarters and branches as well as at the offices of their representatives or other associates.
- (3) Upon a relevant request by covered clients, the said Fund member shall provide additional information on the formalities and conditions for the payment of compensation.
- Prohibition of advertising. 17. Fund members shall be prohibited from promoting their subscription to the Fund for advertising purposes through advertising leaflets or other messages in any way, provided that the mere informative reference to such subscription shall be allowed.
- Information to clients by IFs not subscribed to the Fund. 18. IFs providing investment operations in the Republic and exempted from the obligation to subscribe to the Fund, shall inform investors in writing accordingly.

#### PART V COMPENSATION OF COVERED CLIENTS AND FORMALITIES

- Initiation of the compensation payment procedure. 19. (1) The Fund shall initiate the compensation payment procedure when:
- (a) the Securities and Exchange Commission has determined that a member appears, for the time being, for reasons directly related to its financial circumstances, to be unable to meet its obligations arising out of investors' claims and has no early prospect of being able to do so.
- (b) a Court of the Republic, has made a ruling, for reasons directly related to a member financial circumstances, which has the effect of suspending investors' ability to make claims against it.
- (2) The Securities and Exchange Commission shall issue its decision for the initiation of the compensation payment procedure by the Fund within a reasonable time, and publish the relevant information on its website.

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| Covered claims.   | <p>20. (1) The Fund covers claims arising due to a member's failure –</p> <ul style="list-style-type: none"> <li>(a) to repay the funds owed to covered clients or belonging to them and held on their behalf in connection with investment operations; or</li> <li>(b) to return to covered clients any financial instruments belonging to them and held, managed or administered on their behalf in connection with investment operations;</li> </ul> <p style="padding-left: 40px;">in accordance with the legal and contractual conditions applicable :</p> <p style="padding-left: 40px;">It is provided that the Fund shall also cover the covered clients of the branches opened by CIFs in a Member State other than the Republic.</p> <p>(2) The amount of the claim of a covered client shall be calculated based on legal and contractual conditions, in particular those relating to offsetting and counterclaims, that are applicable to the assessment on the date of the initiation of the compensation payment procedure of sub-paragraph (1) of Paragraph 19, of the amount of the funds or value determined with reference to the market value, where possible, of the financial instruments belonging to the covered client and which such funds or instruments, the Fund member fails to repay or return, respectively.</p> |
| Procedure relating to the invitation of covered clients to submit applications. | <p>21. (1) Upon initiation of the compensation payment procedure pursuant to the provisions of sub-paragraph (1) of Paragraph 19, the Fund shall publish as soon as possible in at least two national newspapers, an invitation to covered clients to make their own claims against the Fund member, designating the procedure for the submission of the relevant applications, the deadline for their submission as well as their content as defined specifically in this Part.</p> <p>(2) The publication provided for in sub-paragraph (1) shall include at least:</p> <ul style="list-style-type: none"> <li>(a) the name and address of the headquarters and the trading name of the Fund member for which the compensation procedure has been initiated;</li> <li>(b) the deadline for the submission of the compensation applications, which cannot be less than five months;</li> <li>(c) the mode of submission of applications; and</li> <li>(d) the address and/or electronic address through which covered clients may be informed regarding the exact content of the applications to be submitted and obtain the relevant claim form provided by the Fund.</li> </ul>  |

- (3) The publication of sub-paragraph (2) shall be communicated immediately to the Securities and Exchange Commission which shall post the publication on its website and keep it for the entire deadline for the submission of applications.
- (4) In exceptional cases, the Fund, with an announcement thereof, may extend the deadline for the submission of compensation applications up to three months, provided it obtains the approval of the Securities and Exchange Commission.
- Late submission of applications for reasons of *force majeure*.
22. (1) In case a covered client, not being at its fault, was neither informed of the invitation to submit a compensation application nor is in a position to submit such application within the deadline, the deadline of Paragraph 21 shall not apply thereto if it is proven that conditions of *force majeure* 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.
- (2) In the cases of sub-paragraph (1), a deadline of five (5) months shall be given from the day the conditions of *force majeure*, which occurred by evidence, ceased to exist, for the submission of a duly completed application for compensation.
- It is provided that the applications not submitted within five (5) months from the day the conditions of *force majeure*, which occurred by evidence ceased to exist, shall not be accepted.
- (3) A covered client submitting a compensation application to the Fund in the context the current Paragraph, shall submit, in addition to the information forming the necessary minimum content of the application pursuant to Paragraph 23, a solemn declaration stating the reason for which he was not in a position to claim compensation in time, attaching all supporting evidence required to prove his allegations.
- Compensation application form.
23. (1) The Fund shall issue a claim form setting out the information and supporting evidence required in order to evaluate the claims of covered investors.
- (2) Without prejudice to the provisions of sub-paragraph (1), the Fund may request additional information where deemed necessary.
- Procedure relating to the recording and evaluation of the alleged compensation claims.
24. (1) The Fund shall designate at least one expert in capital market issues and at least one lawyer with knowledge on capital market issues, who after initially checking the conditions of sub-paragraphs (1) and (2) of Paragraph 25, shall evaluate the applications submitted to the Fund and recommend to the Administrative Committee their acceptance in total or in part or their rejection.
- (2) In case of disagreement between the persons referred to in sub-paragraph (1), each one of them shall submit a separate recommendation.

(3) The remuneration of the persons referred to in sub-paragraph (1), shall be agreed between the Fund and these persons, shall burden the Fund member involved and, if necessary, shall be paid by the Fund primarily using funds accumulated from the payment of fees to cover administrative expenses as prescribed in clause (d) of sub-paragraph (1) of Paragraph 9.

(4) In order to evaluate the applications, the persons defined in sub-paragraph (1) shall:

(a) request from the Fund member to express a justified opinion on the grounds of the claims alleged by the claimants, within a specific time limit

It is provided that the persons referred to in sub-paragraph (1), proceed with the evaluation of the applications in case that the Fund member does not submit its justified opinion on time.

(b) evaluate the applications based on the information available determining the amount of the compensation for each claimant.

(5) The persons referred to in sub-paragraph (1) shall have full access to the records kept electronically or otherwise by Fund members in order to carry out their work, and they shall be obliged to exhibit confidentiality against any third party as to the information coming to their knowledge in the exercise of their duties.

It is provided that the said obligation of confidentiality shall be disregarded in order to enable the exercise of their duties as well as vis-à-vis the Securities and Exchange Commission.

Compensation  
payment conditions.

25. (1) The payment of compensation by the Fund 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 Fund member, which derives from an investment operation;

(c) the submission in time of a duly completed application form accompanied by the necessary supporting documents as prescribed in this Part;

(d) the claims do not arise from transactions in connection with which there has been a criminal conviction for money laundering as defined in the Prevention and Suppression of Money Laundering Activities Law of 2007;

188(I)/2007  
58(I)/2010  
80(I)/2012  
192(I)/2012  
101(I)/2013  
184(I)/2014  
18(I)/2016

- Determination of the amount of the compensation payable.
26. (2) The Fund shall suspend the payment of compensation in cases where criminal proceedings are pending against a covered client for money laundering as defined in the Prevention and Suppression of Money Laundering Activities Law of 2007, until the case is concluded.
- (1) In order to establish the claims of a claimant against a Fund member as well as any counterclaims of the member against the claimant, the books and/or records kept and the particulars issued by the Fund member as well as the supporting evidence produced by the claimant or any other evidence possessed by the Fund, shall be taken into account.
- It is provided that the Fund shall cooperate with the Securities and Exchange Commission in order to acquire access to the books and/or records kept by its member.
- (2) The amount of the compensation payable to each covered client shall be calculated pursuant to the legal and contractual terms, in particular those relating to offsetting and counterclaims that are applicable for the assessment on the date of the initiation of the compensation payment procedure of sub-paragraph (1) of Paragraph 19, of the amount of the funds or the value determined with reference to the market value where possible of the financial instruments belonging to the covered client and which the Fund member fails to repay or return respectively.
- (3) The calculation of the compensation payable shall arise from the sum of the total established claims of the covered client against the Fund member, arising from all covered services provided by the member and regardless of the number of accounts of which it is the beneficiary, the currency and place where such services are provided within the European Union.
- (4) Subject to the provisions of Paragraph 5, the Fund shall provide coverage for the claims referred to in Paragraph 20, which applies for the total claims of the covered client against a Fund member and shall be defined as the lower of 90% of the cumulative covered claims of the covered client and €20.000.
- (5) In the case of joint investment business:
- (a) in the calculation of the coverage provided for in sub-paragraph (4), 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 each investor is provided with separate coverage pursuant to the provisions of sub-paragraph (4);

- (6) Where a covered client is not the ultimate beneficiary of the funds or financial instruments held by the member:
- (a) compensation shall be paid to the ultimate beneficiary if his identity is or may be established prior to the date of the determination or ruling referred to in sub-paragraph (1) of Paragraph 19.
  - (b) if the ultimate beneficiaries are more than one, in the calculation of the coverage 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.

It is provided that this clause shall not apply to undertakings for collective investments.

- (7) The currency in which compensation is paid to investors shall be the Euro. Where the funds and/or financial instruments are expressed in a currency other than the Euro, for purposes of calculation of the compensation amount, the exchange reference rate of the said currency against the Euro fixed by the European Central Bank at the end of the day on which the funds and/or financial instruments of the investor become unavailable pursuant to sub-paragraph (1) of Paragraph 19 shall be used.

Decision of the Administrative Committee on the applications.

27. (1) Upon submission of the applications pursuant to Paragraph 23, the Administrative Committee shall check whether the conditions of Paragraph 25 are fulfilled.
- (2) The Administrative Committee shall reject the application if the claimant does not fulfil the conditions of clauses (a) to (e) of sub-paragraph (1) of Paragraph 25 or if at the Administrative Committee's discretion, the claimant has used false or misleading means in order to secure the payment of the compensation by the Fund.
- (3) During the examination of the applications, the Administrative Committee shall take into account the recommendations of the persons defined in sub-paragraph (1) of Paragraph 24 and decide upon the applications determining the amount of the compensation attributable to each covered client-claimant.

Unjustifiably paid compensation.

28. The Fund may at any time require the covered client to return the compensation paid to it if it establishes *a posteriori* that there has been a reason for the rejection of the application in accordance with this Directive.

Announcement of Fund's decision.

29. (1) Upon completion of the procedure before the Fund, the Fund shall:
- (a) issue a decision listing the clients of the Fund member, which are compensation beneficiaries determining the

- amount of money each one of them is entitled to receive, and communicate it to the Securities and Exchange Commission and the Fund member within five working days from its issue; and
- (b) communicate to each affected client its decision the soonest possible from its issue.
- (2) The claimant to whom the Fund communicates its decision, may object in case it disagrees with the Fund's decision, within a deadline of ten days from the communication of the decision, by informing the Securities and Exchange Commission, justifying sufficiently its objection.
- (3) The Securities and Exchange Commission in the context of examining an objection may:
- (a) request from the Fund, the Fund member and the claimant to submit information and particulars;
- (b) conduct any investigation required.
- (4) The Securities and Exchange Commission, shall conclude the examination of the objection within forty-five (45) days and in case that identifies an error made by the Fund, the Securities and Exchange Commission shall require the fund to rectify and pay to the claimant the correct amount.
- Deadline and procedure relating to payment of compensation. 30. (1) The Fund shall pay each covered client/claimant the compensation that he is entitled to, within a three-month deadline from the date that the decision was communicated to the affected covered client pursuant to the provisions of clause (b) of sub-paragraph (1) of Paragraph 29.
- (2) The payment of the compensation by the Fund shall be deposited to a bank account of the covered client/claimant designated by the latter in writing to the Fund.
- (3) In extraordinary circumstances, the Fund may request from the Securities and Exchange Commission an extension of the deadline provided for in sub-paragraph (1).
- It is provided that the said extension may not exceed three months.
- Effect of payment of compensation. 31. The payment of any compensation by the Fund shall entail *ipso jure* subrogation of the Fund to the rights of the compensated covered client/claimant against the Fund member during the liquidation procedure of the said member for an amount equal to the compensation payable thereto.

PART VI  
FUND ADMINISTRATION

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| Fund Administration.   | 32. | <p>(1) The administration of the Fund, shall be exercised by a five-member Administrative Committee as prescribed in Sections 60 and 61 of the Law.</p> <p>(2) The Administrative Committee shall exercise all the powers and duties provided for in the Law and this Directive.</p>  |
| Election of President, Vice-President and Treasurer of the Administrative Committee. | 33. | The Administrative Committee shall elect its President, Vice-President and Treasurer no later than ten days from the publication in the Official Gazette of the Republic of the decision of the Minister of Finance on the appointments.  |
| Meetings of Administrative Committee.  | 34. | <p>(1) The Administrative Committee shall meet upon invitation of the President or the Vice-President, in case of impediment of the President, on a day and time fixed by him regularly once every calendar month and extraordinarily whenever the President deems fit.</p> <p>(2) The invitation for the convocation of a meeting of the Administrative Committee shall be in writing and addressed to all its members at least two working days prior to the meeting and shall include the items on the agenda.</p> <p>(3) Irrespective of the provisions of sub-paragraph (2) in extraordinary and justified cases, a meeting of the Administrative Committee shall be convened extraordinarily following an oral or written invitation communicated to the members the soonest possible and in any case prior to the time fixed for the meeting.</p> <p>(4) (a) In the case of a written invitation to a meeting, the invitation shall be communicated to the members of the Administrative Committee in writing by facsimile or email.</p> <p>(b) In the case of an oral invitation to a meeting, the members of the Administrative Committee shall sign at a later stage an attestation regarding their invitation to a meeting.</p> <p>(5) With an application by at least one of the members, the President or the Vice-President of the Administrative Committee:</p> <p>(a) shall convene a meeting of the Administrative Committee by fixing the date of the meeting, which shall take place no later than five days from the submission of the relevant application; and</p> <p>(b) shall set all proposed items on the agenda of the first meeting following the submission of the relevant application.</p> <p>(6) The Administrative Committee shall decide upon any matter pertaining to the conduct of its meetings and shall be entitled to allow the presence of other persons at its regular or extraordinary</p> |

- meetings where deemed necessary for the carrying out of its work without such persons having a right to vote.
- (7) The Auditor-General of the Republic or his representative may be present at the meetings of the Administrative Committee without having a right to vote.
- Replacement of members of the Administrative Committee due to unjustified absence. 35. (1) Insofar as a member of the Administrative Committee is absent without any reason from its meetings for a period over three months, the agency that has designated him shall replace him in due time after being informed of this matter:
- It is provided that the participation in the meetings through an alternate shall not be considered as unjustified absence.
- (2) The President or the Vice-President of the Administrative Committee, as the case may be, shall promptly inform the agency that has designated the member in case of absence of such member of the Administrative Committee or his alternate from the meetings of the Administrative Committee for a period over three months.
- Quorum and decision-making by the Administrative Committee. 36. (1) The Administrative Committee shall form a quorum and be validly convened when at least three of its members are present either in person or through their alternates.
- (2) The decisions of the Administrative Committee shall be made by majority of its members present.
- (3) In relation to the discussions and decisions of the Administrative Committee, minutes shall be kept by a person designated by the acting president at each meeting, which may be one of the members of the Administrative Committee or any other person. The minutes shall be signed by the President, Vice-President and the other members of the Administrative Committee who are present at the meeting.
- Remuneration of the Administrative Committee. 37. Every remuneration or compensation of the members of the Administrative Committee and of their alternates shall be approved beforehand by a special decision of the Administrative Committee made by a majority of at least four of its members, following the consent of the Minister of Finance.
- It is provided that the remuneration or compensation of the members of the Administrative Committee and of their alternates shall be covered by an accumulated amount deriving from the payment of the annual fees for the coverage of the Fund's administrative expenses as prescribed in Paragraph 12.
- Disqualification of members of the Administrative Committee. 38. (1) Any willful act or failure of a member of the Administrative Committee, regular or alternate, which may place the reliability required for the exercise of its work under doubt, shall form a cause

- for disqualification of the said member from his duties by a decision of the Minister of Finance.
- (2) The disqualified member shall be replaced by the agency that has designated him pursuant to the provisions of Section 61 of the Law.
- Liability of members of the Administrative Committee. 39. (1) The members of the Fund's Administrative Committee shall not be subject to any liability in case of an action, application or other legal proceedings for compensation in relation to any act or failure in the exercise of their duties and responsibilities under the law and this Directive.
- (2) The period of limitation for claims of the Fund against the members of the Administrative Committee shall be three years from the carrying out of the act:
- It is provided that in the case of damage caused by fraud, the period of limitation shall be ten years.
- (3) The members of the Administrative Committee may use any information coming to their knowledge exclusively for the carrying out of the work of the Administrative Committee and shall treat in absolute confidence all confidential matters of the Fund of which they became informed in their capacity as members of the Administrative Committee:
- It is provided that this provision shall not prevent the Administrative Committee from providing information to the Securities and Exchange Commission in relation to the matters pertaining to their duties.
- (4) The obligation pursuant to sub-paragraph (3) shall apply to all legal entities or natural persons to whom the Administrative Committee assigns the exercise of its powers or duties or who is employed by the Fund or provides his services to the Fund in general.
- Interpretation provision. 40. Wherever in this Directive there is reference to members of the Administrative Committee, this shall also include their legal alternates.

PART VII  
GENERAL MEETING

- Convening of an Annual General Meeting. 41. (1) By a decision of the Administrative Committee, an annual regular General Meeting of the Fund members shall be convened within four months from the end of the Fund's financial year while an extraordinary General Meeting shall be convened whenever a relevant decision of the Administrative Committee is made.
- (2) The invitation for the convocation of the annual regular General Meeting, which shall set out the items on the agenda and the place and time of the meeting, shall be sent by the Administrative Committee to the Fund members by email or facsimile at least twenty-one days from the day of the regular General Meeting.

The day on which the invitation is sent and the day on which the annual regular General Meeting is set to be held shall not be taken into account.

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| Items for an annual regular General Meeting.                                | 42. | <p>(1) An item may be set before the annual regular General Meeting either following a recommendation of the Administrative Committee or following a submission of a proposal by a Fund member. The proposal by a Fund member shall be supported in writing by at least two other members of the Fund, through Form 144-09-01, which shall be sent to the Administrative Committee by facsimile or email at least fourteen days prior to the annual regular General Meeting.</p> <p>(2) Where a proposal by a Fund member is received as per sub-paragraph (1), the Administrative Committee shall send a relevant written notification by facsimile or email to all Fund members, informing them of any items which have been added on the agenda of the annual regular General Meeting at least six days prior to the annual regular General Meeting.</p>   |
| Convening of an extraordinary General Meeting.                              | 43. | <p>The extraordinary General Meeting shall be convened by the Administrative Committee whenever it deems appropriate, by sending a written invitation by facsimile or email to all Fund members at least fourteen days prior to the day of the extraordinary General Meeting. The day on which the invitation is sent and the day on which the extraordinary General Meeting is set to be held shall not be taken into account.</p>   |
| Convening of an extraordinary General Meeting upon request of Fund members. | 44. | <p>(1) An Extraordinary General Meeting may also be convened upon written application signed by at least 10% of the Fund members, through Form 144-09-01, which shall be sent to the Administrative Committee by post, facsimile or email, setting out at the same time the issues to be discussed.</p> <p>(2) The Administrative Committee shall send a written invitation by facsimile or email to all Fund members for the convocation of the extraordinary General Meeting within five days from receiving the requisition of sub-paragraph (1) and at least fourteen days prior to the day of the extraordinary General Meeting. The day on which the invitation is sent and the day on which the extraordinary General Meeting is set to be held shall not be taken into account.</p> <p>(3) In case the Administrative Committee fails to convene an extraordinary General Meeting, the applicants for the convening of the extraordinary General Meeting may themselves convene an extraordinary General Meeting after twenty-eight days from the date of submission of the requisition of sub-paragraph (1), by sending a written invitation by post, facsimile or email to all Fund members at least fourteen days prior to the day of the extraordinary General Meeting. The day on which the invitation is sent and the day on which the extraordinary General Meeting is set to be held shall not be taken into account.</p> |

It is provided that where an extraordinary General Meeting is convened pursuant to the provisions of this sub-paragraph, the Administrative Committee shall see that secretarial services are provided to Fund members.

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| Quorum.                                  | 45. | <p>(1) The General Meeting shall form a quorum and be validly convened on the items of the agenda when at least half of all Fund members are present or represented thereat.</p> <p>(2) A Fund member shall be allowed to represent up to two other Fund members at the Meeting.</p> <p>(3) Each Fund member shall participate in the General Meeting through his authorized representative.</p> <p>(4) If the quorum of sub-paragraph (1) is not present, the General Meeting shall be convened within ten days from the date of the adjourned meeting, invited by the Administrative Committee at least four days prior to the day of the meeting and a quorum shall be present at this repeated meeting and the meeting shall be validly convened on the items of the initial agenda regardless of the number of the Fund members present.</p>  |
| Alternate and authorized representative. | 46. | <p>(1) Subject to the provisions of sub-paragraph (2) of Paragraph 45, a Fund member shall appoint in writing an alternate at the General Meeting through Form 144-09-03, which shall be signed by the Fund member who is represented via an alternate. Form 144-09-03 shall be sent to the Administrative Committee by post, facsimile or email no later than 48 hours prior to the date set for the General Meeting.</p> <p>(2) Subject to the provisions of sub-paragraph (3) of Paragraph 45, the authorized representative of the Fund member shall be appointed in writing by virtue of Form 144-09-02. Form 144-09-02 shall be sent to the Administrative Committee by , facsimile or email no later than forty-eight hours prior to the date set for the General Meeting.</p> <p>It is provided that where a Fund member has appointed an authorized representative pursuant to the provisions of this paragraph but the latter is prevented from attending the General Meeting, a Fund member shall once again appoint an authorized representative and a new Form 144-09-02 shall be given to the Administrative Committee at the General Meeting.</p> |
| Record of attendances.                   | 47. | <p>(1) At every General Meeting there shall be a record of attendances which shall record the following:</p> <p>(a) the name of the Fund member;</p> <p>(b) where applicable, the name of the Fund member's alternate;</p>   |

- (c) the name of the Fund member's authorized representative.
- (2) The record of attendances shall be signed by the authorized representative of the Fund member or, where applicable, by the authorized representative of the Fund member's alternate.
- Acting president at the General Meeting. 48. (1) The President of the Administrative Committee, and in case of his absence or other impediment, the Vice-President of the Administrative Committee, shall preside at the General Meeting. If both of them are absent, one of the remaining members of the Administrative Committee shall preside thereat. In case of absence of all members of the Administrative Committee (and their alternates), one of the authorized representatives of the Fund members present thereat who shall be appointed by the General Meeting shall preside at the General Meeting.
- (2) Subject to the provisions of Section 61(3) of the Law, in the case of a General Meeting at which there shall be elections for the election of the two members of the Administrative Committee, the senior member out of the three members of the Administrative Committee appointed by the Minister shall preside thereat.
- Minutes. 49. (1) The minutes of the General Meeting shall be kept by a person designated by the Administrative Committee and where all members of the Administrative Committee (and their alternates) are absent, the minutes shall be kept by a person appointed by the General Meeting. The minutes shall be kept confidential unless otherwise decided by the Administrative Committee, by a competent court or by a competent disciplinary body or in cases where these are requested by the Securities and Exchange Commission, in the context of the exercise of its duties.
- (2) The minutes of the General Meeting, are signed by the acting president at the General Meeting.
- Decision-making. 50. (1) The General Meeting shall comprise the Fund members each one having the right of one vote.
- (2) The General Meeting shall make its decisions by absolute majority of its represented members present.
- Voting. 51. (1) At any General Meeting, with the exception of the cases where voting by ballot is requested by the acting president at the General Meeting or by at least three authorized representatives of the Fund members present, a statement of the acting president that any decision has been approved or rejected by a show of hands and that such decision shall be recorded in the minutes of the General Meeting, shall form irrefutable evidence of the fact.
- (2) A voting by ballot duly requested pursuant to the provisions of sub-paragraph (1), shall be effected in the manner indicated by the acting president at the General Meeting. The outcome of the

vote is considered a decision of the General Meeting for which a voting has been requested and shall be recorded in the minutes.

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| Decision in writing.                                   | 52. | A decision in writing signed by all Fund members shall be equally as valid and effective as if the same had been passed at a General Meeting duly convened and held. This decision may consist of several documents of the same type, each signed by all Fund members.   |
| Elections for members of the Administrative Committee. | 53. | <p>(1) At least two months prior to the expiry of the term of the two members of the Administrative Committee nominated by the bodies of the interested parties, as prescribed in Section 61(1)(c) of the Law, the remaining three members of the Administrative Committee appointed by the Minister shall send a notice to all Fund members that elections shall take place for the election of the said two members by the General Meeting of the Fund members as prescribed in Section 61(3) of the Law.</p> <p>(2) Only the persons who effectively direct the business of the Fund members shall have a right to stand as candidates for the election of a representative proposed by the interested parties, as a member of the Administrative Committee.</p> <p>(3) The candidacies of sub-paragraph (2) shall be submitted by facsimile or email, to the Administrative Committee through Form 144-09-04 within twenty-eight days from the date the notice of sub-paragraph (1) was sent. The Fund member shall propose the candidate.</p> |

PART VIII  
INVESTMENT POLICY OF THE FUND

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| Investment policy of the Fund. | 54. | <p>(1) A percentage of at least seventy per cent (70%) of the total assets of the Fund shall be placed:</p> <p style="margin-left: 40px;">(a) in bonds, bills or other government securities or other equivalent securities issued by a Member State, which are liquid; and/or</p> <p style="margin-left: 40px;">(b) in interest-bearing accounts in banks operating in the Republic or in other Member State.</p> <p>(2) The percentage referred to in sub-paragraph (1) may be reduced upon the permission of the Securities and Exchange Commission so that the difference is used for the reinsurance of the Fund's obligations.</p> <p>(3) A percentage of at least ten per cent (10%) of the total assets of the Fund shall be placed in interest-bearing sight accounts in banks operating in the Republic.</p> <p>(4) It shall be permitted to place up to ten per cent (10%) of the total assets of the Fund in shares listed in organized markets of the</p> |
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Republic or of a Member State and/or in UCITS units within the meaning of the UCITS Law.

PART IX  
ANNUAL ACCOUNTS AND AUDIT OF THE FUND

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| Financial year of the Fund.   | 55. | The financial year of the Fund shall commence on 1 <sup>st</sup> January and end on 31 <sup>st</sup> December of the same year.   |
| Regular audit of the financial management and of the annual accounts of the Fund. | 56. | The Securities and Exchange Commission shall appoint one qualified auditor to audit the financial management and the annual accounts of the Fund prepared by the Administrative Committee for every financial year pursuant to the provisions of Paragraph 57.  |
| Annual accounts.  | 57. | <p>(1) The Administrative Committee shall keep annual accounts of the Fund per financial year, the accuracy and completeness of which shall be audited pursuant to Paragraph 56.</p> <p>(2) No later than one month prior to the end of each current financial year, the budget of the following financial year shall be prepared with the care of the Administrative Committee.</p> <p>(3) No later than three months after the commencement of each financial year, a review of the previous financial year shall be prepared with the care of the Administrative Committee, which together with the balance sheet, the revenue and expenditure account and the report of the qualified auditor appointed pursuant to Paragraph 56, shall be submitted to the General Meeting of the Fund members.</p> <p>(4) The balance sheet, the revenue and expenditure account and the report of the qualified auditor shall be communicated to the Securities and Exchange Commission and the Minister of Finance within twenty days from their discussion at the General Meeting.</p> |
| Extraordinary audit of the Fund.  | 58. | The Minister of Finance, the Securities and Exchange Commission or the General Meeting may order the conduct of an extraordinary audit of the Fund either by qualified auditors appointed by them, or, in the case of the Minister of Finance, by the Auditor-General of the Republic.  |

PART X  
COMPETENCE TO IMPOSE SANCTIONS

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| Imposition of sanctions by the Securities and Exchange Commission. | 59. | In case of infringement by any person of the provisions of this Directive, the Securities and Exchange Commission shall impose an administrative fine pursuant to the provisions of Sections 66 and 141 of the Law. |
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| Non-fulfillment of obligations of a member towards the Fund.                          | 60. Subject to the provisions of Paragraph 62, in case a Fund member does not settle the contributions provided for in this Directive in time or does not fulfill other obligations towards the Fund, the Fund shall inform the Securities and Exchange Commission accordingly, and in cooperation, they shall take all appropriate measures, including the imposition of sanctions by the Securities and Exchange Commission, to ensure that the member shall fulfill its obligations.   |
| Expulsion of a member.  | <p>61. (1) If, despite the measures taken pursuant to Paragraph 60, the member continues not to fulfill its obligations, the Fund may, with the express consent of the Securities and Exchange Commission, communicate its intention to exclude the member from its participation in the Fund by observing a twelve-month notice deadline at least.</p> <p style="padding-left: 40px;">It is provided that the coverage envisaged in Paragraph 20 shall continue to be secured for the investment operations carried out during this period.</p> <p>(2) Insofar as the Fund member does not fulfil its obligations within the deadline granted pursuant to sub-paragraph (1), the Fund shall, with the express consent of the Securities and Exchange Commission, permanently expel the said member from the Fund.</p> <p>(3) The Fund shall publish the expulsion of the Fund member in at least two national newspapers and the Securities and Exchange Commission shall publish it on its website.</p> <p>(4) The expulsion of a member from the Fund shall not discharge the member from its obligations to pay the contributions due with interest.</p> <p>(5) Subject to the provisions of Part V, after the expulsion of a member from the Fund, the Fund shall continue to be liable pursuant to the provisions of the Law and of this Directive for the compensation of covered clients as to claims deriving from investment operations carried out prior to the expulsion of the member from the Fund.</p> |
| Non-fulfillment of obligations by an IF branch whose seat is in another Member State. | <p>62. (1) In case an IF branch of Paragraph 5, which voluntarily subscribes to the Fund does not pay its contributions provided for in this Directive in time or does not fulfil other obligations towards the Fund, the Fund shall inform the competent authorities which issued its authorization and, in cooperation with the Fund, they shall take all appropriate measures to ensure the fulfillment of the said obligations.</p> <p>(2) If, notwithstanding the measures of sub-paragraph (1), the said IF branch which voluntarily subscribes to the Fund does not fulfill its obligations towards the Fund, after the lapse of at least a twelve-month notice deadline, the Fund may, with the consent of</p>  |

the competent authorities which issued the authorization, expel the said branch from the Fund.

It is provided that the investment operations carried out prior to the date of expulsion shall continue to be covered after that date by the Fund.

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|                   | (3)     | Investors shall be informed of the removal of the supplementary coverage and of the date on which such removal of coverage shall apply.  |
| Entry into force. | 63. (1) | This Directive shall enter into force on the day of its publication in the Official Gazette of the Republic.   |
| R.A.A. 175/2015   | (2)     | The Fund's capital that was accumulated pursuant to the provisions of the Directive 144-2007-15, shall be subject to the provisions of this Directive.   |
| R.A.A. 175/2015   | (3)     | In case that the compensation payment procedure was initiated before the publication of this Directive, the procedure shall be concluded pursuant to the provisions of Directive 144-2007-15, except if the evaluation of the alleged compensation claims has not yet been commenced, where the procedure shall be concluded pursuant to the provisions of this Directive. |

#### FIRST SCHEDULE

##### Eligible funds and financial instruments of clients

1. (a) The term "eligible funds and financial instruments" shall include all funds and financial instruments of the covered clients, which the Fund member holds directly and/or indirectly at any given time.
- (b) The term "indirect holding" shall include the cases whereby the said eligible funds and financial instruments are not in the name of a Fund member but the said Member has access to the funds and financial instruments and the ability to use the said instruments at any given time without the prior consent or approval of the specific client prior to every use.
- (c) In determining the eligible funds and financial instruments for purposes of calculating the regular annual contribution paid by each Fund member, the greatest amount resulting from the calculation of the daily eligible funds and financial instruments of the Member on the last day of each month in the preceding calendar year, shall be taken into account.
2. If the sum of the funds and financial instruments per client shall exceed the amount of twenty thousand Euros (€20.000), the amount in excess shall not be taken into account in the calculation of eligible funds.

3. The valuation of the financial instruments shall be carried out on the basis of their market value on the day of their calculation.

SECOND SCHEDULE  
Non-covered clients

1. Subject to the provisions of Paragraph 25, the Fund shall not compensate the following investor categories:
  - (1) The following categories of institutional and professional investors:
    - (a) IFs;
    - (b) legal entities associated with the Fund member and generally belonging to the same group of companies;
    - (c) banks;
    - (d) cooperative credit institutions;
    - (e) insurance companies;
    - (f) collective investment undertakings in transferable securities and their management companies;
    - (g) social insurance institutions and funds;
    - (h) investors characterized by the member as professionals upon their request, pursuant to the provisions of paragraph B of the Second Schedule of the Law.
  - (2) Supranational institutions, government and central administrative authorities.
  - (3) Provincial, regional, local and municipal authorities.
  - (4) Enterprises that have close ties with the Fund member as the term «close ties» is construed in Article 2(1) of the Law.
  - (5) Managerial and administrative staff of the Fund member.
  - (6) Shareholders of the Fund member whose participation directly or indirectly in the capital of the Fund member amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the Fund member as well as persons responsible for the carrying out of the financial audit of the Fund member as provided by the Law, such as its qualified auditors.
  - (7) Investors having in enterprises connected with the Fund member and, in general, with the group of companies to which

- the Fund member belongs, positions or duties corresponding to those listed in sub-paragraphs (5) and (6).
- (8) Up to second-degree relatives and spouses of the persons listed in sub-paragraphs (5), (6) and (7), as well as third parties acting for the account of such persons.
  - (9) Investors-clients of a Fund member responsible for facts pertaining to the Fund member that have caused its financial difficulties or have contributed to the worsening of its financial situation or have profited from these facts.
  - (10) Other firms in the same group.
  - (11) 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.
2. In the cases of sub-paragraphs (5), (6), (7), (8), and 10 the Fund shall suspend the payment of compensation informing the interested parties accordingly until it reaches a final decision as to whether such cases apply.

#### THIRD SCHEDULE GUIDING PRINCIPLES

1. Where a branch applies to join a host Member State's ICF for supplementary cover, the host Member State's ICF will bilaterally establish with the home Member State's scheme appropriate rules and procedures for the payment of compensation to investors at that branch. The following principles will apply both to the drawing up of those procedures and in the framing of the membership conditions applicable to that branch:
- (1) the host Member State's ICF will retain full rights to impose its objective and generally applied rules on participating investment firms; it will be able to require the provision of relevant information and be entitled to verify such information with the home Member State's competent authorities;
  - (2) the host Member State's ICF will meet claims for supplementary compensation after it has been informed by the home Member State's competent authorities of the determination or ruling referred to in Article 2 (2) of Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes. The host Member State's scheme will retain full rights to verify an investor's entitlement according to its own standards and procedures before paying supplementary compensation;
  - (3) the host Member State's and the home Member State's ICFs will cooperate fully with each other to ensure that investors receive compensation promptly and in the correct amounts. In particular,

they will agree on how the existence of a counterclaim which may give rise to set-off under either scheme will affect the compensation paid to the investor by each scheme;

- (4) the host Member State's ICF will be entitled to charge branches for supplementary cover on an appropriate basis which takes into account the cover funded by the home Member State's ICF. To facilitate charging, the host Member State's ICF will be entitled to assume that its liability will in all circumstances be limited to the excess of the cover it has offered over the cover offered by the home Member State regardless of whether the home Member State actually pays any compensation in respect of claims by investors within the host Member State's territory.