



INVESTORS COMPENSATION FUND

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Investors Compensation Fund

Introduction

PriorFX LTD (hereafter the “Company”) is an Investment Firm authorized and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the License number 221/13. The Company is incorporated and registered under the laws of the Republic of Cyprus under the certificate registration number HE 321360. The head offices of the Company are located at 196 Arch. Makarios III Ave., Ariel Corner, 3030 Limassol, Cyprus.

The Company is operating under Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, as the same may be in force from time to time and modified or amended from time to time (the “Markets in Financial Instruments Directive (2004/39/EC)” or “MiFID”), which was implemented in Cyprus by the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007 of 26 October 2007) and Cyprus Law 106(I)/2009 of 23 October 2009, which provide for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters (the “Investment Services and Activities and Regulated Markets Law”), as the same may be modified and amended from time to time.

The Company is a member of the “Investor Compensation Fund” for clients of Cypriot Investment Firms (“CIFs”), hereinafter called the “Fund”.

The main objective of the Fund is to secure the claims of the clients of regulated ‘CIFs’ that are members of the Fund (“Fund Members”) against Fund Members, through the payment of compensation, in cases where Fund Members are unable, due to their financial circumstances, and when no realistic prospect of improvement of such circumstances in the near future seems possible:

1. to return to their clients the funds owed to such clients, or the funds that belong to such clients, but which are, directly or indirectly, held by a Fund Member in the context of providing investment services to the said clients; or
2. to hand over to such clients the financial instruments, which belong to such clients and by which Fund Members hold, manage or keep on their account, including the instances where a Fund Member is responsible for the administrative management of the said financial instruments.

The objective of the Fund is, therefore, to secure any claims of covered clients against Fund Members and the main essence of the Fund is to compensate covered clients for any claims arising

from the malfunction by Fund Members to fulfil their ‘obligations’, regardless of whether such obligation(s) result(s) from applicable provisions of law, the client agreement or from wrongdoing on the part of the Fund Member.

Protection offered by the Fund

As indicated above, for purposes of the protection mechanisms offered by the Fund, failure of a Fund Member to execute its ‘obligations’ consists of the following:

1. Failure to return to a covered client funds owed to such client or funds which belong to such client, but are held by Fund Member, directly or indirectly, in the framework of the provision of covered services by the Fund Member to the client and which the client has requested that they be returned to the client by the fund Member; or
2. Failure to return to a covered client financial instruments that belong to such client and which a Fund Member holds, manages or keeps on its account, including the case where the Fund Member is responsible for the administrative management of the said financial instruments.
3. The Company’s clients may be at risk of losing assets that are held on their behalf by third parties, especially where such third parties become insolvent and where such third parties are not covered by any investor compensation system and/or other insurance cover.

Covered Services

Covered Services are the Investment Services and Ancillary Services, which are listed on the Company’s license (License No. CIF221/13) issued by the Cyprus Securities and Exchange Commission (“CySEC”).

The Company is licensed to provide:

- Investment Services:
 - Reception & Transmission of Orders
- Ancillary Services:
 - Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction,
 - Foreign exchange services where these are connected to the provision of investment services.

Covered Clients

In principle, all of the Company’s clients are covered by the Fund under the investment compensation protection scheme, unless they fall into the following categories:

1. Institutional and professional investors including:
 - a. Investment firms;

- b. Entities associated with the Company and, in general, belonging to the same group of companies;
 - c. Banks;
 - d. Cooperative credit institutions;
 - e. Insurance companies;
 - f. Collective investment organizations in transferable securities and their management companies;
 - g. Social insurance institutions and funds;
 - h. Investors characterized by the Company as professionals;
2. States and international organizations;
 3. Central, federal, confederate, regional and local administrative authorities;
 4. Enterprises associated with the Company;
 5. All staff of the Company, inclusive of Managerial and Administration staff;
 6. Shareholders of the Company whose participation directly or indirectly in the capital of the Company (as a member of the Fund) amounts to at least 5% of the Company's share capital, or its partners who are personally liable for the obligations of the Company, as well as persons responsible for the carrying out of the financial audit of the Company, as provided by law, such as qualified and statutory auditors;
 7. Investors having an enterprise connected with the Company and in belonging to the group of companies to which the Company belongs, positions or 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 for the account of these persons;
 9. Apart from investors convicted of a criminal offence, pursuant to the Cyprus Prevention and Suppression of Money Laundering Activities Law of 1996 – 2000, investor-clients of the Company responsible for facts pertaining to the Company, whom have caused its financial difficulties or have contributed to the worsening of its financial situation or whom have profited from these facts; and/or,
 10. Investors that have are organized in the form of a company, which, due to its size, is not allowed to draw a summary balance sheet in accordance with the Cyprus Companies Law or a corresponding law of an EU Member State

Procedure for decision to commence the compensation payment process

The Fund will commence the compensation payment process in those instances where at least one of the following circumstances is present:

1. The Cyprus Securities and Exchange Commission (“CySEC”) has determined by Resolution that a Fund Member is unable to meet client claims, provided that this inability is a result from its financial circumstances that show no prospect of improving in the near future; or

2. A judicial authority has on reasonable grounds directly related to the financial circumstances of the Fund Member issued a ruling to the effect that that an investor's ability to lodge claims against such Fund Member are suspended or that a well-founded claim by a covered client;

Upon issuing a decision to initiate the compensation payment process, the Cyprus Securities and Exchange Commission ("CySEC") will publish, in at least three national newspapers in Cyprus, an invitation to the covered clients to make their claims known. In that invitation, a procedure for submission of any relevant claims, a deadline for submission and the required content for the application will be outlined.

Amount of Compensation

The Company's books will be used, together with supporting evidence, to ascertain the claims against a Fund Member and the amount payable will be calculated in accordance with the legal and contractual terms governing the relation of the client with the Fund Member subject to set-off rules.

The calculation of compensation payable will be derived from the sum of the total of all established claims of the covered client arising from all covered services provided by the Fund Member, regardless of the number of accounts of which the claimant is a beneficiary, the currency and the place of provision of these services. If the claim exceeds €20,000 then the claimant is only entitled to receive a maximum amount in compensation that IS equivalent to €20,000.