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HF Markets (Europe) Ltd

INVESTOR COMPENSATION FUND

Investor Compensation Fund

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1. Introduction

- 1.1. HF Markets (Europe) Ltd (hereinafter the “**Company**”) which is a member of HF Markets Group, is incorporated under the laws of the Republic of Cyprus with Registration No. HE 277582 under the Department of Registrar of Companies and Official Receiver (www.mcit.gov.cy). The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (“**CySec**”) to act as a Cypriot Investment Firm (License No. 183/12) and to provide the Services specified in the Account Opening Agreement found on the Company’s website, and operates under the Law 144(1)/2007 which provides for the provision of investment services, the exercise of investment advice, the operation of regulated markets and other related matters (the “**Law**”) which has implemented the Markets in Financial Instruments Directive (EU Directive 2004/39/EC).
- 1.2. The Company is a member of the Investor Compensation Fund (the “**Fund**”). The Fund was established under the Law and the Establishment and Operation of an Investor Compensation Fund for Clients of CIFs Regulations of 2004 (the “**Regulations**”) which were issued under the Law.
- 1.3. The Fund constitutes a private legal entity and its administration is exercised by an Administrative Committee of five members, who are designated for a three-year term. The Fund has been operating since 30th May 2004.

2. Objective

- 2.1. The objective of the Fund is to secure any claims of the covered Clients, as defined in Section 4 of the Policy, against members of the Fund. The main essence of the Fund is to compensate covered Clients for any claims arising from the failure of a member of the Fund to fulfill its obligations towards its Clients in respect of:
 - (a) A member’s inability to meet its duties as arise from the Clients claims against the Company in connection with the provision of investment and/or ancillary services, provided that such inability is directly related to is financial circumstances in respect of

which there is no foreseeable realistic prospect of improvement in the near future, such inability shall be determined by CySec; or

(b) A court has issued a ruling which has the effect of suspending the Client's ability to lodge claims against the Company.

2.2. The obligation of the member of the Fund to provide compensation on covered Clients' claims arises from the Company's duties in respect to the terms and procedures outlined in the Law, notwithstanding a relevant obligation of the Company in accordance with legislation and the terms which govern the agreement between the Company and the Client and regardless of whether the said obligation of the Company is based on the agreement or wrongdoing.

3. Covered Services

3.1. The Covered Services are the investment and ancillary service offered by the Company to its Clients as these are listed on its authorization and can be found on the website of CySec at www.cysec.gov.cy.

4. Covered Clients

4.1. The Fund covers Retail Clients of the Company. It does not cover Professional Clients and Eligible Counterparties. For more details, see Section 5 of the Policy.

5. Non-Covered Clients

5.1. The Fund shall not pay any compensation to individuals who have pending criminal proceedings against them under the provisions of the Prevention and Suppression of the Legalization of Proceeds from Criminal Activities Law of 2007, as amended from time to time and/or replaced. The Fund suspends the payment of compensation until the completion of such proceedings.

5.2. The Fund does not compensate the following investor categories:

a. The following categories of institutional and professional investors:

- Investment Firms;
 - Legal entities associated with the Company and, in general, belonging to the same group of companies;
 - Banks;
 - Cooperative credit institutions;
 - Insurance companies;
 - Collective investment organisations in transferable securities and their management companies;
 - Social insurance institutions and Funds;
 - Clients categorised by the Company as professionals, upon their request.
- b. States and supranational organisations;
- c. Central, federal, confederate, regional and local administrative authorities;
- d. Enterprises associated with the Company;
- e. Managerial and administrative staff of the Company;
- f. Shareholders of the Company, whose participation directly or indirectly in the capital of the Company amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the Company, as well as persons responsible for the carrying out of the financial audit of the Company as provided by the Law, such as its qualified auditors;
- g. Investors having enterprises connected with the Company and, in general, of the group of companies, to which the Company belongs, duties of managerial and administrative staff of the Company or positions of shareholders of the Company;
- h. Second-degree relatives and spouses of persons and investors with duties of managerial and administrative staff of the Company or positions of shareholders of the Company, as well as third parties acting for the account of these persons;
- i. Clients who file claims arising out of transactions involving individuals convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law or Clients responsible for the financial difficulties of the Company or who

have contributed to the worsening of the Company's financial situation or who have profited from these facts;

- j. Investors in the form of a company, which due to its size, is not allowed to draw a summary balance sheet in accordance with the Companies Law or a corresponding law of a Member State of the EU.

5.3. In the cases of paragraphs e, f, g and h, the Fund suspends the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

6. Compensation Payment Process

6.1. The object of the Fund is to secure the claims of covered Clients against the Company as a member of the Fund, by the payment of compensation for their claims arising from the covered services provided by the Company, so long as failure by the Company to fulfill its obligations has been ascertained.

6.2. The term failure denotes the inability of the Company to:

- a. either return to its covered Clients Funds owed to them or Funds which belong to them but are held by the Company, directly or indirectly, in the context of the provision by the Company to the said Clients of covered services, and which the latter requested the Company to return, in exercising their relevant right, or
- b. to hand over to the covered Clients financial instruments which belong to them and which the Company holds, manages or keeps on their account, including circumstances where the Company is responsible for the administrative management of the said financial instruments. The payment of compensation by the Fund to the Clients of its members is subject to the existence of a well-founded claim by the Clients against the member of the Fund.

6.3. The Fund initiates the compensation payment procedure when at least one of the following preconditions is fulfilled:

- a. the Cyprus Securities and Exchange Commission has determined by Resolution that the Company is unable to meet any of its duties arising from its investors-Clients claims, in connection with the covered services it has provided, as long as such inability is directly related to the Company's financial position which has no realistic prospect of improvement in the near future, and has issued its decision on the commencement of the compensation payment procedure by the Fund as well as has published the said decision in the Official Gazette of the Republic of Cyprus as well as on its website on the Internet. or
 - b. A judicial authority has on reasonable grounds, directly related to the financial position of the Company, made a ruling which has the effect of suspending the Clients' ability to lodge claims against the Company.
- 6.4. Upon issuing a decision by the Cyprus Securities and Exchange Commission or by the Court in accordance with paragraph a) or b) above respectively, on the commencement of the compensation payment procedure, the Fund will publish in at least newspapers of national coverage, an invitation to the covered Clients to make their claims against the Company arising from the covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.
- 6.5. The compensation applications of covered Clients with which they make their claims against the Company are submitted to the Fund in writing and must include:
- a. The name of the claimant-Client;
 - b. The address, telephone and fax numbers as well as any email address of the claimant-Client;
 - c. The Client code that the claimant-Client had with the Company;
 - d. The particulars of the covered services agreement between the Fund and the claimant-Client;
 - e. The type and amount of the alleged claims of the claimant-Client;

- f. The exposition of the particulars from which the alleged claims of the claimant-Client and their amount are delivered;
 - g. Any other information the Fund might or will request.
- 6.6. Upon submission of the compensation applications, the Administrative Committee of the Fund has control especially if:
- a. The claimant-Client falls within the category of covered Clients;
 - b. The application was timely submitted;
 - c. The claimant-Client is not convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007, as amended or replaced;
 - d. The conditions for the valid submission of compensation applications are fulfilled.
- 6.7. The Administrative Committee rejects the compensation application in case the claimant-Client does not fulfill the conditions referred to in paragraph 6.6. above, or if at the Administrative Committee's discretion, at least one of the following reasons exists:
- a. The claimant-Client used fraudulent means in order to secure the payment of compensation by the Fund, especially if it knowingly submitted false evidence;
 - b. The damage suffered by the claimant substantially derived from concurrent negligence or offence on its behalf in relation to the damage it suffered and to its underlying cause.
- 6.8. Upon completion of the valuation, the Fund:
- a. Issues minutes listing the Clients of the Company which are compensation beneficiaries along with the amount of money each one of them is entitled to receive, and, communicates it to CySEC and the Company within five (5) working days from its issue; and
 - b. Communicates to each affected Client its finding no later than fifteen (15) days from the issue of the aforementioned minutes determining the total compensation amount this Client is entitled to receive.

7. Compensation Amount

- 7.1. The amount of compensation payable to each covered Client is calculated in accordance with the set-off regulations, which may be determined or specified by way of directives of CySec, pursuant to Article 64 of the Law and based on the assessment of the amount of capital or the value of the financial instruments belonging to the Client which the Company is unable to dispense.
- 7.2. The calculation of the compensation payable derives from the total amount of established claims of covered Clients against the Company, irrespective of the number of accounts held by the Client with the Company, the currency and place of provision of these services.
- 7.3. The valuation of the financial instruments pertaining to the compensation payable to the covered Client is carried out based on the value of the day:
 - a. of publication of a court ruling which has the effect of suspending the investors ability to lodge claims against it based on reasonable grounds directly related to the financial circumstances of the Investment Firm (i.e. the Company) which has subscribed to the Fund;
 - b. of publication of the decision of the Cyprus Securities and Exchange Commission that an Investment Firm, which has subscribed to the Fund, is unable to meet any of its duties arising from its Clients' claims in connection with the covered services it has provided, as long as such inability is directly related to its financial circumstances in respect of which no realistic prospect of improvement in the near future seems foreseeable.
- 7.4. The total payable compensation to each covered Client of the Company may not exceed the amount of twenty thousand Euros (EUR 20,000), irrespective of the number of accounts held, currency and place of offering the investment service.
- 7.5. In the case whereby beneficiaries of a joint account of the Company are in their majority covered Clients:

- a. the maximum amount payable to all co-beneficiaries of the account comes up to the amount of twenty thousand Euros (EUR 20,000); and
- b. the compensation is fixed on the whole for all co-beneficiaries of the joint account and is divided amongst them, in the way determined in the agreement between the co-Beneficiaries and the Company; otherwise, in the absence of such agreement, it is divided equally amongst them.

8. Further Information

- 8.1. For any further information regarding the Fund and/or the formalities and preconditions relating to the payment of compensation, the Client can contact the Company at compliance@hfeu.com.

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