



Veles International

INFORMATION TO CLIENTS OF VELES INTERNATIONAL LTD IN RELATION TO THE INVESTOR COMPENSATION FUND FOR CUSTOMERS OF CYPRIOT INVESTMENT FIRMS (CIFs)

1. INVESTOR COMPENSATION FUND

Veles International Ltd is a member of the Investor Compensation Fund (ICF) for Customers of Cypriot Investment Firms (CIFs) and other Investment Firms (IFs) which are not credit institutions (the “Fund”). The ICF was established under the Investment Firms (IF) Law 2002 as amended (the “Law”) and the Establishment and Operation of an Investor Compensation Fund for Customers of CIFs Regulations of 2004 (the “Regulations”) which were issued under the Law.

The Fund constitutes a private law 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 30 May 2004.

2. COVERED SERVICES

The Investor Compensation Fund covers the following services:

1. (a) reception and transmission, on behalf of customers, of orders in relation to one or more of the financial instruments, (b) execution of such orders, as listed in paragraph (a), other than for own account
2. dealing in financial instruments for own account,
3. managing of investment portfolios in accordance with mandates given by customers on a discretionary basis where such portfolios include one or more of the financial instruments,
4. underwriting in respect of issues of any of the financial instruments

as well as the non-core service of

5. safe keeping or administration in relation to one or more of the financial instruments.

The phrase financial instruments in the previous paragraph refers to: (a) Transferable Securities and units in collective investment undertakings, (b) Money market instruments, (c) Financial-futures contracts, including equivalent cash-settled instruments, (d) Forward interest-rate agreements (FRAs), (e) Interest-rate, currency and equity swaps

3. COVERED CLIENTS

The ICF covers the clients of Veles International Ltd except those who are included in the following categories of investors:



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1. The following categories of Institutional and professional investors:
 - (a) Investment Firms (IFs),
 - (b) Legal entities associated with Veles International Ltd and, in general, belonging to the same group of companies as Veles International Ltd,
 - (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 Veles International Ltd as professionals, upon their request, in accordance with articles 14 and 15 of the Code of Professional Conduct of Investment Firms.
2. States and supranational organizations.
3. Central, federal, confederate, regional and local administrative authorities.
4. Enterprises associated with Veles International Ltd. Associated enterprises means companies belonging to the same group as well as natural persons who directly or indirectly control that legal person or its parent company, holding a minimum percentage of 20% of the share capital or voting rights and their associates.
5. Managerial and administrative staff of Veles International Ltd.
6. Shareholders of Veles International Ltd, whose participation directly or indirectly in the capital of Veles International Ltd amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of Veles International Ltd, as well as persons responsible for the carrying out of the financial audit of Veles International Ltd as provided by the Law, such as its qualified auditors.
7. Investors having investments in enterprises connected with Veles International Ltd and, in general, of the group of companies, to which Veles International Ltd belongs, or positions and duties corresponding to the ones listed in paragraphs (5) and (6) above.
8. Second-degree relatives and spouses of the persons listed in paragraphs (5), (6) and (7), as well as third parties acting on behalf of these persons.
9. Investors involved in money laundering activities or investors responsible for the financial difficulties of Veles International Ltd or have contributed to the worsening of the Veles International Ltd financial situation or which have profited from these facts/activities.
10. Companies (investors) which due to their size are not allowed to draw a summary balance sheet in accordance with the Companies Law or corresponding law of a Member State.



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4. PRECONDITIONS FOR THE INITIATION OF THE COMPENSATION PAYMENT PROCEDURE BY THE FUND

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

- (a) The Cyprus Securities and Exchange Commission has determined that Veles International Ltd is for the time being unable to meet its obligations arising from its investors-customers' claims, in connection with the covered services it has provided, as long as such inability is directly related to Veles International Ltd financial position which has no realistic prospect of improvement in the near future, or
- (b) A Court, based on grounds directly related to the financial position of Veles International Ltd, has made a ruling which has the effect of suspending the investors-customers' ability to lodge claims against Veles International Ltd.

Upon issuance of 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 publishes in at least three national newspapers an invitation to the covered customers to make their claims against Veles International Ltd arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

5. COMPENSATION AMOUNT - FORMALITIES

The amount of compensation payable to each covered customer, is calculated in accordance with the legal and contractual terms governing the relation of the covered customer with Veles International Ltd, subject to the rules of set-off applied for the calculation of the claims between the covered customer and Veles International Ltd. The calculation of the payable compensation derives from the sum of total established claims of the covered customer against Veles International Ltd, arising from all covered services provided by Veles International Ltd and regardless of the number of accounts of which the customer is a beneficiary, the currency and place of provision of these services.

If the amount of the claim determined, exceeds the amount in Cyprus Pounds corresponding to **Euro 20.000**, the claimant receives as compensation the lump sum in Cyprus Pounds of the amount of **Euro 20.000**.

The investment firm providing services to its clients through a branch situated in a third country, the amount of the maximum compensation payable to its clients comes up to the lump sum paid by any investor compensation scheme in operation in the third country, without however this amount exceeding the amount of **€20.000** per client.



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If in the third country mentioned above, an investor compensation scheme is not in operation, the maximum amount of payable compensation comes up to **two thousand Cyprus pounds (CYP 2.000)** per client.

Upon completion of the valuation, the Fund:

- (a) issues minutes listing the customers of Veles International Ltd who are entitled to compensation, along with the amount of money each one of them is entitled to receive and communicates it to the Cyprus Securities and Exchange Commission and Veles International Ltd within five working days from its issue and
- (b) communicates to each affected customer its finding no later than fifteen days from the issue of the minutes, determining the total compensation amount this customer is entitled to receive.

The claimant, to whom the Fund communicates the total compensation amount to which he is entitled, in case he disagrees with the Fund's decision, has the right within ten days from the communication of the decision to appeal to the Cyprus Securities and Exchange Commission, justifying sufficiently his alleged claim.

The Fund is obliged to pay to each covered customer – claimant the compensation within three months from sending to the Cyprus Securities and Exchange Commission the minutes with the compensation beneficiaries.

For any further information regarding the Fund, please contact our Compliance Officer, Mr. George Papanicolaou, at Tel.: + 357 22873327, Fax: + 357 22661164 or e-mail info@veles-int.com.

or

the offices of the Administrative Committee of the Fund, at the following address:

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