



Mercia Securities Ltd

(formally Initial Merit Secure Ltd)

Investor Compensation Fund

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CIF Licence No. 229/14 | Registration No. HE 291905

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1. General

Mercia Securities Ltd Ltd (hereinafter “the Company”) is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) under license number 229/14. The Company is a member of the Investor Compensation Fund (“ICF”) for the Clients of the CIFs, under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (“the Law”).

2. Purpose

The objective of the ICF is to secure claims of the covered Clients against members of the ICF, through the payment of compensation in cases where the member concerned is unable, due to its financial circumstances and when no realistic prospect of improvement in the above circumstances in the near future seems possible.

The ICF compensates the covered Clients for claims arising from the covered services provided by its members, so long as failure by the member of the ICF to fulfil its obligations has been ascertained, in accordance with the terms and procedure defined in the Law, notwithstanding a relevant obligation by the member of the ICF in accordance with the legislation and the terms which govern its agreement with the covered Client and regardless of whether the said obligation of the member of the ICF is based on the agreement or on wrongdoing.

3. Covered Services

Covered services of the Company are the investment services of:

- a) Reception and transmission of orders in relation to one or more of the Financial Instruments
- b) Execution of orders on behalf of Clients

The Company is also authorized to provide the following ancillary services:

- a) Safekeeping and administration of financial instruments, including custodianship and related services.
- b) Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- c) Foreign exchange services where these are connected to the provision of investment services.

- d) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

4. Covered Clients

The ICF covers retail clients. Professional clients and eligible counterparties, as defined under the Law, are not eligible for compensation under the ICF. For more details see section 5 below.

The Company accepts Professionals and Eligible Counterparties as clients.

5. Non-Covered Clients

No compensation shall be paid by the ICF to persons against whom criminal proceedings have been initiated or who have been convicted under the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 to 2023 (hereinafter the “AML Law”), as amended from time to time.

- a) The following categories of institutional and professional investors:

- Investment Firms (IFs);
- Legal entities associated with the Company and, in general, belonging to the same group of companies;
- Banks;
- Cooperative credit institutions;
- Insurance companies;
- Collective investment organizations in transferable securities and their management companies;
- Social insurance institutions and funds;
- Investors characterized by the Company as professionals, upon their request.

- b) States and supranational organizations.

- c) Central, federal, confederate, regional and local administrative authorities.

- d) Enterprises associated with the Company.

- e) Managerial and administration staff of the Company.

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- 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 qualified auditors.
- g) Investors having in enterprises connected with the Company and, in general, of the group of companies, to which the Company belongs, positions or duties corresponding to the ones listed in sub-paragraphs (e) and (f) of this paragraph.
- h) Second-degree relatives and spouses of the persons listed in sub-paragraphs (e), (f) and (g) of this paragraph as well as third parties acting for the account of these persons.
- i) Apart from investors convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007, as amended or replaced, investors-Clients of the Company responsible for facts pertaining to the Company that have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts.
- j) Investors in the form of companies which, due to their size, are not allowed to draw a summary balance sheet in accordance with the Companies Law or a corresponding law of a Member State of the European Union.

In the cases of sub-paragraphs (e), (f), (g) and (g) of paragraph 5.2., the ICF 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

The ICF compensates covered Clients for claims arising from covered services provided by the Company when failure by the Company to fulfil its obligations has been ascertained.

Failure by the Company to fulfil its obligations includes the following circumstances:

- a) The Company is unable to return Client funds held by or on behalf of the Company in connection with the provision of the covered services, where the Client has requested their return in exercise of their relevant right; or

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- b) The company is unable to return financial instruments belonging to Clients and managed, held or administered by the Company.

The ICF initiates the compensation payment procedure where CySEC has determined by resolution that the Company is unable to meet obligations arising from Clients' claims in connection with the investment services provided, and that such inability is directly related to the Company's financial circumstances with no realistic prospect of improvement in the near future. The procedure may also be initiated where a competent judicial authority issues a ruling, on reasonable grounds directly related to the Company's financial circumstances, which has the effect of suspending investors' ability to lodge claims against the Company.

CySEC may issue such a decision where, among other things, the Company submits a written statement declaring failure to fulfil its obligations toward Clients, the Company files for liquidation, or CySEC revokes or suspends the Company's authorisation and determines that the Company is not expected to fulfil its obligations toward Clients in the near future for reasons that do not concern a temporary lack of liquidity that can be dealt with immediately.

A compensation application should be submitted in writing and should include at least the following information:

- a) The claimant-Client's name.
- b) The claimant-Client's address, telephone number, fax number, and email address, as applicable.
- c) The Client code held with the Company.
- d) Details of the covered services agreement between the Company and the claimant-Client.
- e) The type and amount of the alleged claim.
- f) The facts and evidence from which the alleged claim and amount derive.
- g) Any other information requested by the ICF.

The Administrative Committee of the ICF examines, among other matters, whether the claimant falls within the category of covered Clients, whether the application was submitted on time, whether the claimant is subject to any relevant criminal conviction or exclusion, and whether the application satisfies the required conditions.

The Administrative Committee may reject an application where the conditions are not met or where the claimant used fraudulent means, knowingly submitted false evidence, or where the loss suffered substantially resulted from the claimant's concurrent negligence or wrongdoing.

7. Payment of Compensation

The amount of compensation payable to each covered Client is calculated in accordance with the legal and contractual terms governing the relationship between the covered Client and the Company, subject to applicable set-off rules.

The calculation of payable compensation derives from the total established claims of the covered Client against the Company arising from all covered services provided by the Company, irrespective of the number of accounts held, the currency of those accounts, or the place where the investment service was provided.

The maximum compensation payable to each covered Client of the Company is equal to twenty thousand euro (EUR 20,000), or 90% of the covered investor's claim, whichever is lower, irrespective of the number of accounts held, the currency, and the place where the investment service was offered.

In the case of a joint account where the beneficiaries are, in their majority, covered Clients, the maximum amount payable to all co-beneficiaries of the account is 90% of the covered account's claim or EUR 20,000, whichever is lower. Compensation is fixed for all co-beneficiaries jointly and is divided between them as determined in the agreement between the co-beneficiaries and the Company or, in the absence of such an agreement, equally.

Where claims relate to joint investment business to which two or more persons are entitled as members of a business partnership, association, or similar grouping without legal personality, such claims may be aggregated and treated as arising from an investment made by a single investor for the purpose of calculating compensation limits.