

# BASIC INFORMATION ON INVESTOR LIABILITY INSURANCE

Axiology DLT, UAB's liabilities to investors are insured	<p>Axiology DLT, UAB is a participant of the Investor Liability Insurance Scheme of the Republic of Lithuania.</p> <p>The insurance company - the public institution "Deposit and Investment Insurance" (Deposit and Investment Insurance) insures liabilities to investors in accordance with the procedure and conditions set out in the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania.</p>
Amount of insurance of liabilities to the investor (limit of protection)	Up to EUR 22 000
Currency of payment of the insurance benefit for liabilities to investors	Euros (in euro cents to 2 decimal places and rounded according to the mathematical rules for rounding numbers).
Object of investor liabilities insurance	The object of the investor liability insurance shall be the investor's financial instruments, irrespective of the currency in which they are denominated, and/or cash in all currencies.
The maturity of the investor liability insurance benefit	Within 3 months from the date of the insured event. The Supervisory Board of the insurance undertaking may, in exceptional circumstances and in agreement with the Supervisory Authority, extend this time limit for a maximum of 3 months.
Cases where investor liabilities are not insured	<p>Investors' liabilities are not subject to investment risk (investment risk is the probability of incurring a loss because an investment does not make a profit or loses value).</p> <p>Liabilities to investors are not subject to insurance against liabilities to these investors:</p> <ol style="list-style-type: none"><li>1. the Bank of Lithuania;</li><li>2. credit institutions;</li><li>3. financial brokerage firms;</li><li>4. financial institutions;</li><li>5. insurance and reinsurance undertakings, insurance and reinsurance undertakings established in other Member States and third countries;</li><li>6. pension funds;</li><li>7. collective investment undertakings.</li></ol>

Cases where limitations on claims on investor liabilities apply

The payment of the investor liability insurance benefit may be postponed for investors or other persons referred to in Article 23(6) of the Law on Insurance of Deposits and Liabilities to Investors who are entitled to claim the investor liability insurance benefit and who are charged with money laundering and/or financing of terrorism as a result of the legality of the acquisition of money and/or financial instruments belonging to them and/or held on their behalf, until the final judgment of the court is issued.

No claims on investor liabilities shall be paid:

1. the Bank of Lithuania, credit institutions, financial brokerage firms, financial institutions, insurance and reinsurance undertakings, insurance and reinsurance undertakings established in other Member States and third countries, pension funds, collective investment undertakings;
2. investors who have been convicted in a criminal case for money laundering and/or terrorist financing in relation to the legality of the acquisition of financial instruments and/or money held in their name and/or on their behalf;
3. the chief executive officers, members of the Supervisory Board and the Management Board of a participant in an IORP, persons holding at least 5 per cent of the share capital of a participant in an IORP, persons carrying out an independent audit of a participant in an IORP (having carried out the audit no more than one year before the date of the IORP insured event);
4. close relatives and third parties acting on behalf of the persons referred to in point 3.

Explanation of the circumstances and requirements under which the relevant deposit and investor liability insurance schemes apply

Claims denominated in financial instruments shall always be covered only by the protection of the investor liability insurance scheme.

Money owed by a brokerage firm to an investor and held for the benefit of the client/investor in connection with the use of investment services provided by the brokerage firm and money received by clients/investors as a result of the sale of financial instruments belonging to the client/investor, transferred (entrusted) by the client/investor to the brokerage firm for the purpose of investment services provided by the brokerage firm, shall be considered as liabilities to investors and shall be covered by the insurance scheme for liabilities to investors rather than by the deposit insurance.

Examples of circumstances and requirements that are not covered by the investor liabilities insurance scheme include

Customer FMI 'B' holds various financial instruments, including bonds of company XYZ, with a total nominal value of EUR 50 000 at X date. On the same day, company XYZ declares that it cannot meet its financial obligations and bankruptcy proceedings are initiated. Subsequently, the bonds become worthless and, at the end of the insolvency proceedings, they are deregistered and debited from the customers' accounts.

***Is the client entitled to an insurance benefit and how much?***

The client is not eligible for an insurance benefit because the loss or depreciation of the value of financial instruments due to the bankruptcy of the issuer is considered a market risk which is not covered by insurance.



A client purchased ordinary registered shares in the company ABC for EUR 10 000 on X date at FMI 'A'. One month later, the company announces very poor performance, which leads to a significant drop in market confidence in the company. As a result, the share price drops during the month and the market value of the client's holding falls to EUR 5 000.

***Is the client entitled to an insurance benefit and how much?***

The client is not entitled to an insurance benefit because the loss is due to market risk, i.e. fluctuations in the value of financial instruments. Market risk is not covered under the investor protection scheme.

**Other information about the terms and conditions of the investor liabilities insurance, the conditions and procedures for paying insurance benefits**

The investor liabilities insurance benefit shall be calculated and paid by the insurance undertaking on the basis of the investor liabilities insurance scheme participant's investor liabilities insurance data as at the date of the insured event, data on the investors, their investor liabilities and the amounts of the additional investor liabilities to be covered, and the investor liabilities insurance scheme participant's investor liabilities insurance data on the market value of the investor's securities as at the date of the insured event of the investor liabilities insurance scheme.

For the purpose of calculating the amount of the investor liability insurance claim, all financial instruments and cash of a single investor (including branches, representative offices, other structural units of the investor's legal person or other organisation) which the investor liability insurance participant is unable to repay to the investor shall be aggregated, but the total amount of the investor liability insurance claim for any one investor shall not exceed EUR 22 000.

Where a group of persons (a joint investment) has contractual rights of claim to money and/or financial instruments, each person in the group shall be deemed to be an investor and the financial instruments and money shall be divided equally among them, unless otherwise provided in the contracts giving rise to the rights of claim or in court decisions.

Where an investor contractually manages money and/or financial instruments belonging to other persons, the right of claim shall be vested in the person who owns the money and/or financial instruments by ownership, in trust or otherwise, and who is known or can be ascertained before the date of the insured event. If the cash and/or financial instruments are owned by more than one person, the financial instruments and the cash shall be divided among each of them according to the share set out in the contracts giving rise to the claim. This provision shall not apply to a management company when it manages collective investment undertakings and pension funds.

The amount of the insurance benefit in respect of investor liabilities shall be calculated on the basis of the market value of the investor's financial instruments on the date of the insured event. For liabilities to investors denominated in a foreign currency, the amount of the insurance benefit for liabilities to investors shall be calculated on the basis of the reference rate between the euro and the foreign currency, as last published by the European Central Bank on the date of the insured event, and, where the rate between the euro and the foreign currency has not been published by the European Central Bank, on the basis of the reference rate between the euro and the foreign currency as last published by the Bank of Lithuania.

	<p>The investor's right to receive the investor liabilities insurance benefit shall be valid for a period of 5 years from the date of the insured event of the investor liabilities. Disputes concerning the investor's right to the investor liabilities insurance benefit shall be settled by the courts of general competence in accordance with the procedure established by law.</p> <p>A person to whom an Investor Liability Insurance benefit has been paid unlawfully or in error shall be obliged to reimburse the Investor Liability Insurance Fund. The right of the IORF to claim repayment of an unlawful or erroneous payment of an IORP shall be valid for a period of 5 years from the date of payment of the IORP. Any amounts repaid or ordered to be repaid shall be credited to the Investor Liability Insurance Fund.</p> <p>Investor liability insurance claims shall be paid without the investor being required to submit a claim to the insurance undertaking. The insurance undertaking shall, within the time limits for the payment of the investor liabilities insurance claim, publicly inform investors of the occurrence of an insured event in respect of investor liabilities and the procedure for the payment of the investor liabilities insurance claim, and shall make this information available on its website.</p>
More information	<p><i>iidraudimas.lt</i>  Public body "Deposit and Investment Insurance"  Savanorių pr. 5, LT-03116 Vilnius  Company code 110069451  Register Public Enterprise Centre of Registers  Tel. (0 5) 213 5657, +370 699 47 570  E-mail: idf@idf.lt</p>

## Notes:

1. The amount of the additional investor liability cover shall be equal to the difference between the amount of the investor liability cover and the amount payable to the investor under the legislation of a Member State or a third country, but the amount of the investor liability cover may not exceed EUR 22 000.
2. Liabilities to investors incurred by branches of a third country bank, branches of a third country brokerage firm and branches of a third country management company established in the Republic of Lithuania, which are not insured (reimbursed) or otherwise secured under the legislation of a third country, shall be insured in accordance with the Law on Insurance of Deposits and Liabilities to Investors.
3. The investor shall be entitled to an investor liabilities insurance benefit from the date of the insured event of the investor liabilities.
4. The investor shall be entitled to an investor liabilities insurance benefit in the event that a participant in an investor liabilities insurance scheme is unable to meet its obligations to the investor under legislation or contracts:
  - 1) to repay to the investor the money owed to the investor by the IORP participant and held for the benefit of the investor in connection with the use of investment services provided by the IORP participant;
  - 2) the return of financial instruments belonging to the investor and held, held or managed on behalf of the investor, which have been transferred (entrusted) to the IORP in connection with the use of its investment services.