

Questions & Answers

The below questions are applicable to eligible investors of firms, who are scheme participants of GICS, and who are unable to meet obligations due to its clients and hence calls into effect the Scheme.

How do I know if the firm I intend to do business with is in fact a member of the Scheme?

All Gibraltar based firms who offer investment services are authorised under the Financial Services (Markets in Financial Instruments) Act 2006.

Firms which hold this type of authorisation are required to be a participant of the Scheme. A list of scheme participants is published on the GICS website and can be accessed from the following link: <http://www.gics.gi/participants.asp>

This list is updated regularly, the date that this was last updated can be found at the bottom of the page. If in doubt please contact the Secretary at gicb@fsc.gi

Can any investor make a claim?

The Gibraltar Investor Compensation Scheme will pay out compensation to “eligible investors” in instances where a scheme participant is declared in default. An “eligible investor” is often referred to as a private, ordinary or retail investor.

The Scheme does not offer any protection to professional or institutional clients. Professional investors are those who may be deemed to possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur.

How much compensation am I entitled to?

The Scheme covers the repayment of monies owed to you, as well as any investments or assets which are held on your behalf by a licensed firm, or, where this is not possible, to pay compensation on the basis of their value.

There are limits however to the amount of cover. The Scheme covers 90% of a firm's total liability to an investor in respect of eligible investments held. This is subject to a maximum payment to any one individual of Euro 20,000.

This is to say that should you have an investment worth €15,000, the amount you can expect to receive from the Scheme is €13,500 (which represents 90% of the investment value).

Alternatively where an investor has €30,000 invested the amount of compensation due to this investor would be €20,000 (as this is the maximum amount of compensation payable per investor by the Scheme).

What if I have a joint account, how much compensation am I entitled to?

A firm's total liability to an investor is the aggregate of all investments in the name of that investor, including the investor's share in an investment held jointly. Investments held jointly are divided equally between investors where there is no indication of the share of each holder in the investment.

For example where Mr X has a joint investment with Mr Y amounting to €15,000, then the total amount of compensation payable would be €13,500. Hence €6,750 for Mr X and €6,750 for Mr Y.

Where Mr X has another investment, with the same scheme participant declared in default, of €20,000 then Mr X would be entitled to €13,250* for this investment. This is on the basis that the total liability is in aggregate of all investments in the name of the investor.

**Although 90% of the investment amount totals €18,000, Mr X has already claimed compensation of €6,750 from the joint account held and compensation is subject to a maximum of €20,000.*

What about investments held in trust?

Investments held by trustees will be treated as one claimant unless each of the beneficiaries can be separately identified, and has a separate right under the trust before the date of the declaration, under Section 9 of the Investor Compensation Act by the Chief Executive Officer of the FSC. The Investor Compensation Act can be accessed from the GICS website at the following link: <http://www.gibraltarlaws.gov.gi/articles/2002-10o.pdf>

Will I be able to claim compensation if I do not live in Gibraltar or if I am not a Gibraltar citizen?

If you are an eligible client of the failed scheme participant, regardless of place of residency or nationality, you are entitled to compensation under the Scheme.

How does the Scheme obtain its funds to pay compensation to investors?

The Scheme is funded by scheme participants in accordance with the requirements set out in the Investor Compensation Scheme Directive, 97/9/EC.

Does the Scheme cover losses such as those caused by bad advice or investment losses arising from fluctuations in the market?

The Scheme does not compensate losses caused by market fluctuations in the value of investments. Likewise it does not cover losses caused by bad advice or poor investment management, in such instances the firm should revert to the firms' complaints procedure to file the necessary complaint with the firm accordingly.

Are bank deposits covered?

Bank deposits are not covered by GICS. Bank deposits in Gibraltar are covered by the Gibraltar Deposit Guarantee Scheme. Further information on this scheme can be found on the GDGB website, which can be accessed from the following link: <http://www.gdgb.gi>

Circumstances in which GICS will pay compensation

The Scheme will be activated where a firm, authorised under the Financial Services (Markets in Financial Instruments) Act 2006 (or with a head office in a non-EEA state where equivalent protection to investors is not offered) to provide investment services is unable to meet obligations to investors arising out of investors' claims in relation to investments held through it.

If the above occurs a client may be eligible for compensation. This however depends on the type of investment and whether the client is considered an "eligible investor".

The below scenarios intend to provide further clarification of who and under what circumstances compensation would be paid out.

- ABC Limited purchased shares in a wide range of 'high-risk' investments (all of which fall under the definition of eligible investments) on behalf of Mrs A in accordance with her mandate. The firm has since been declared default and can no longer pay its claim. Mrs A is a retired teacher with no experience in investments.

Participant declared default	✓
Eligible Investor	✓
Eligible Investment	✓
	Investor can claim

- Mr B has investments in transferable securities with XYZ Plc, a scheme participant, which has been declared in default. Mr B is XYZ Plc's auditor.

Participant declared default	✓
Eligible Investor	✗
Eligible Investment	✓
	Investor cannot claim

- C Limited has invested in units of collective investment undertakings with ZZ Limited, a scheme participant, which has been declared in default. C Limited is a relatively small retail outlet.

Participant declared default	✓
Eligible Investor	✓
Eligible Investment	✓
	Investor can claim

- Mr and Mrs D were inappropriately advised to invest in unsuitable investments for their needs by W Limited, which has resulted in them losing a large proportion of their initial investment. Mr and Mrs D are considered 'retail' investors. Mr and Mrs D have advised that they wish to claim of GICS however W Limited has not been declared in default.

Participant declared default	x
Eligible Investor	✓
Eligible Investment	✓
	Investor cannot claim

- Mr and Mrs E have invested in 2 life insurance products and a pension product with V Limited, a scheme participant. Mr and Mrs E are retail investors and V Limited has been declared in default.

Participant declared default	✓
Eligible Investor	✓
Eligible Investment	x
	Investor cannot claim