

CAPITAL MARKET COMMISSION

ANNUAL REPORT 1997

ATHENS 1998

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A NOTE FROM THE CHAIRMAN OF THE CMC

The present, first *Annual Report* of the Capital Market Commission (CMC) provides the opportunity for a brief evaluation of the developments in the Greek capital market during 1997. The Greek capital market comprises the financial activities of the Athens Stock Exchange (ASE), the operation of a wide range of investment service and institutional investors protection, international links and, finally, the supervisory mechanism of the capital market. All aspects of this system have undergone important changes and improvements during the last year.

The examination of the quantitative indicators reveals that 1997 may be considered as the year with the soundest growth in the Greek capital market record. The Athens Stock Exchange achieved its best performance of the decade, while mutual funds asset growth was the largest ever. The total amount of capital raised through the ASE was unprecedented, thus contributing to the establishment of the capital market as an important and credible alternative source of investment funding for both domestic and foreigner investors.

The tasks and activities of the CMC during 1997 were organized and channeled into three basic directions: the first was the investment in human capital of the CMC. The increased needs for highly qualified staff and the requirement for efficient organization of the CMC's services stood as an urgent priority, particularly in the light of the 1996 events as well as the wide supervisory role assigned to the CMC by Greek legislation. During 1997, twenty two highly qualified specialists joined the CMC, passed through special training, and were allocated into three departments: the Department of Supervision and Audit, the Legal Department and the Department of Research, Monitoring of the Market and International Relations. These departments have started to function and the market has already felt their impact.

The second direction taken by the CMC in 1997 was the institution and implementation of regulatory rules for the improvement of financial soundness of brokerage firms and the effective protection of the market from systemic risks. The enforcement activities by the CMC were in accordance with the Law 2396/96, which incorporates the Investment Services Directive of the European CMC.

Specifically, during 1997, three fundamental regulatory rules were implemented: the capital adequacy requirements rule, the Code of Conduct for investment firms and rules for the elimination of money laundering activities. In addition, the CMC oversaw the implementation of regulation rules for the protection of the stock exchange from defaults. The creation of the Settlement Fund has constituted a fundamental component in the protection of the ASE from systemic risks.

The third direction taken by the CMC in 1997 was its contribution to the development of Law 2533/98, passed by the Greek Parliament in November 1997. Important innovations are introduced in the Law: the creation of the derivatives market, the radical transformation of the Athens Stock

Exchange members Guarantee Fund, including insurance for all investment services, the refinement of prudence and transparency rules regulating trading activities, the creation of a trading market for neighboring countries' transferable securities and, finally, the modernization and development of the domestic bonds market. The effective implementation of these innovations will constitute the central concern of the CMC's operations for the present year.

An important aspect in the CMC's activities is international cooperation, particularly with the Member-States of the European Union. The internationalization of markets highlights the need for competent international cooperation.

The coordination of activities, the exchange of information, the adoption of common practices and the implementation policies constitute the basic anchor for the effectiveness of supervisory policies across the European Union. The creation of the Forum of European Securities CMCs – FESCO in December of 1997, offered a vivid response to these concerns within the European financial market. The CMC, which is a founding member of FESCO, will continue to contribute to and comply with the requirements of international cooperation.

It must be mentioned that, during its operations, the CMC was given significant and valuable aid by the official capital market agencies, such as the Board of Directors of the Athens Stock Exchange, the Association of the Members of the Athens stock Exchange and the Union of Institutional Investors. The high levels of communication and the constructive cooperation thus established between these capital market entities and the CMC may be safely regarded as a guarantee of the smoothness and efficient functioning of the Greek capital market. It is desirable and it, moreover, constitutes an objective of the Greek supervisory authorities to improve the strength and quality of relations among the active agents of the capital market and thus proceed to the market's further development.

The effective supervision of the Greek capital market is the object of a continuous effort for development, quality improvement and operational efficiency. The supervisory function must correspond to the rising and changing requirements for the achievement of normality in the market and the protection of investors from imprudent and concealed behavior. It may be fairly concluded that the persistent innovative development of the Greek capital market in a manner that secures the provision of high quality services and the implementation of reliable and effective supervision will result in the elevation of the status of the Greek capital market to that of an advanced market, and it will prove a fundamental development mechanism for the Greek economy. These will have to be our aims for the future.

PART ONE

OBJECTIVES AND TASKS OF THE CAPITAL MARKET COMMISSION

The CMC is an independent decision-making body, operating under the supervision of the Ministry of National Economy. It is established in Athens and the laws 148/67, 1969/91, 2166/93, 2324/95 and 2396/96 regulate its operation.

The CMC sets the general conditions of capital market organization and operation and issue instructions to specify how these rules are to be applied. It takes those measures that are useful for ensuring the proper functioning of the market. Its operational objective is to promote stable conditions in the capital markets and enhance public confidence in both supervision and market behavior.

The CMC is responsible for ensuring that the supervised entities, as referred to in the relevant laws, operate in accord with the laws, decrees, regulations and guidelines issued by the authorities. The CMC is entitled to oversee the activities of supervised entities by issuing regulations and guidelines. These regulations take the form of general rules that are binding on supervised entities. The CMC may issue supervision guidelines to any supervised financial market participant. It also takes decisions on the licensing or suspension of supervised entities.

The CMC evaluates through audits the economic position and adequacy of supervised entities' risk management systems and helps ensure that they do not take excessive risks in relation to their risk-bearing capacity. For this purpose the CMC may request market participants to provide all relevant information in order to analyze the financial status of supervised partners and it may carry out investigations at the members' premises. If it comes to the attention of the CMC that a member does no longer comply with the existing regulation, it shall formally request to rectify the situation within a period it defines.

All financial market participants have access to reliable information to support their decision making process. The CMC monitors the developments in the markets and submits proposals to other authorities. It also monitors financial market participants' behavior, the marketing methods and standard contractual terms.

The CMC approves, in conjunction with the ASE, the prospectus for initial public offerings through listing in the ASE.

The management and supervisory functions of CMC have been entrusted to different bodies within the CMC: the Board of Directors and the Executive Committee (see page 2).

The funds of CMC come from a contribution by new issuers, a portion of transaction fees paid by the members of the Athens Stock Exchange, a percentage of the net profits of the Central Securities Depository and licensing fees.

The budget of the CMC is drafted by the Board of Directors and submitted for final approval to the Minister of National Economy.

ORGANIZATION OF THE CAPITAL MARKET COMMISSION

Board of Directors

The seven member Board of Directors of the CMC is entrusted with the following tasks: The general policy of the CMC, the management of CMC, the adoption of regulations applicable to the markets. Among them, the Minister of National Economy appoints the Chairman and the two Vice-Chairmen. The other four members are selected by the Minister of National Economy from lists of candidates submitted by the Bank of Greece, the Board of Directors of the Athens Stock Exchange, the Union of Institutional Investors and the Federation of Greek Industries. They are as follows:

Chairman: *Dr. Stavros Thomadakis*

Vice-Chairman: *Dr. Michael Minoudis*

Vice-Chairman: *Mr. George Floros*

Members: *Mr. Ioannis Drilerakis, Federation of Greek Industries*

Mr. Dimitrios Hatzigrigoriadis, Union of Institutional Investors

Dr. Dimitrios Moschos, Bank of Greece

Dr. Emmanuel Xanthakis, Athens Stock Exchange

Secretary: *Mr. George Kallias,*

Where laws specify or require a decision of the CMC, these are a mandate of the Board of Directors, except when the specific responsibility has been granted to the Executive Committee. The Board of Directors may set up the internal administration and operation. It convenes at least twice a month to discuss and issue decisions on an agenda drawn up by the Executive Committee.

Executive Committee

The Executive Committee consists of the Chairman and two Vice-Chairmen and is entrusted with the execution of the decisions taken by the Board of Directors. It also represents the CMC judicially in Greek and foreign courts. Finally, it carries out responsibilities.

The structure of CMC is as follows:

i) Chairman's office

ii) Vice-Chairmen's offices

iii) Legal Department

iv) Administration and Accounting Department

a) Administration Division

- b) **Accounting Division**
 - c) **Secretariat and Public Relations Division**
- v) **Department of Supervision and Audit of Stock Exchange and of Capital Market Firms**
 - a) **Division of Supervision and Audit of Stock Exchange and its members**
 - b) **Division of Supervision and Audit of Institutional Investors, Listed Companies and other Companies**
- vi) **Department of Research, Monitoring of Capital Market and International Relations**
 - a) **Division of Research and Monitoring of the Capital Market**
 - b) **Division of International Relations and Monitoring of International Developments**



PART TWO

1. THE GREEK ECONOMY

General Overview

During 1996-97, the Greek economy achieved significant growth and considerable reductions in macroeconomic imbalances within the framework of the European economies convergence program. The evolution of macroeconomic indicators shows that GDP is rising steadily and gross investment has taken an upward trend. At the same time, inflationary pressures are weakening while employment levels tend to be stabilized at rather elevated levels.

The ongoing internationalization of the Greek economy is an irrefutable reality associated with strong competitive pressures on national production levels and with tightening conditions on the effectiveness of domestic economic policies. The increasing internationalization is also a reality in the operation of the domestic capital market as it is easily proven by the large inflows of foreign capital into domestic financial investments.

The general environment surrounding investment decisions is generally optimistic reflecting the successful containment efforts of business risk which are mainly due to the effective reduction of public deficits and the achievement of monetary stability. The positive impact of the optimistic investment environment may, however, be weakened by the unexpected fluctuations in the world socioeconomic environment which tends to cause variations in confidence levels and, therefore, in the preferences of investors and consumers.

The consistent application of monetary policy has contributed to the preservation of monetary stability of the national currency and the achievement of considerable returns on capital investment within an environment of falling interest rates. The resulted acceleration of growth was retarded in the last quarter of 1997 as a result of the contagion effects of the world financial disturbances in that period. Eventually, the strong domestic impact of the event, in accord with the government's systematic efforts to join the European Exchange Rate Mechanism for reasons of monetary stability, led to the decision for the national currency's realignment toward the ECU in the first quarter of 1998.

In general, these developments in the macroeconomic conditions contributed decisively during 1997 to the improvement of investment conditions. The improvements brought about positive reactions of the international capital markets, which led to massive inflows of foreign capital, thus accounting notably for the impressive increase of the Athens Stock Exchange General Index and the acceleration of real investment activity. However, since November 1997, the massive liquidation of government bonds and company shares by foreign investors, who reacted in this manner to the international financial disturbance originating in the South-East Asia, resulted in a slowdown of the ongoing growth of financial activities.

Developments in the Macroeconomic Indicators

More specifically, the picture for 1994-97 regarding the developments of the Greek economy, as presented in Table 1, is as follows:

TABLE 1.
The Evolution of Macroeconomic Indicators for the Greek Economy, 1994-97¹

	1994	1995	1996	1997
<i>GDP</i>	1,7	1,8	2,6	3,5
<i>Private Sector Investment Expenditures</i>	0,6	5,3	11,0	9,4
<i>Public Sector Investment Expenditures</i>	0,2	7,4	14,9	18,0
<i>Inflation Rate</i>	10,9	8,9	8,2	5,6
<i>Unemployment Rate</i>	9,6	10,0	10,3	10,0
<i>Nominal Unit Labor Cost</i>	12,1	11,6	10,0	8,5
<i>Real Unit Labor Cost</i>	1,1	2,7	2,7	2,6
<i>General Government Balance (% GDP)</i>	-10,3	-9,8	-7,6	-4,2
<i>General Government Primary Balance (% GDP)</i>	3,9	3,3	4,4	5,6
<i>General Government Debt (% GDP)</i>	109,6	111,3	112,6	109,9
<i>Industrial Production Index</i>	1,3	1,8	1,2	1,4
<i>Money Supply M3</i>	8,8	10,3	9,3	14,8
<i>Money Supply M4 (= M3+ Government Securities)</i>	13,9	8,2	12,0	9,4
<i>Trade Balance (% GDP)</i>	-9,6	-10,4	-10,4	-10,2
<i>Current Account Balance (% GDP)</i>	-1,0	-2,7	-3,0	-3,2
<i>Total Credit Expansion</i>	8,9	8,1	5,3	11,9
<i>Deposits in Commercial banks and Credit Institutions</i>	24,0	14,7	14,2	15,7
<i>Private Sector Finance by Commercial Banks</i>	17,7	30,1	21,6	17,5

Notes: ¹. Annual percentage changes

Sources: Ministry of National Economy, Bank of Greece.

The growth rate of GDP increased from 1,85% in 1995 to 2,6% in 1996, while it is estimated to rise to 3,6% in 1997. For the same period, the rate of growth of domestic effective demand has accelerated from 3% to 3,9%, an increase that is higher relative to the EU average, owing to the strong revitalization of investment and consumption expenditures. Total investment growth was largely the result of increased public sector investment expenditures, which increased by 14,9% relatively to the previous period, while the corresponding increase in private sector investment expenditures were somewhat weaker, but no less dynamic, reaching the rate of 11%. The increased investment expenditures were primarily directed towards the acquisition of capital goods and the increase in construction activities.

The deficit of the general government was 7,4% of GDP in 1996, which is considerably lower than the 9,2% of 1995. For 1997, the deficit is expected to be further reduced to 4,2%. The primary government surplus was 4.1% of GDP in 1996, one of the largest in the European Union, whilst it is expected to rise even more in 1997.

The average annual rate of inflation has also been reduced from 8,2% in 1996 to 5,6% in 1997, whilst in the end of the year it was 4,7%. Nominal interest rates, in accordance with falling inflation, were gradually decreasing during 1997. The average rate of interest of the 1-year Treasury Bills was 12,9% in 1996, effectively reduced from the rate of 15,5% in 1995 and the rate of 19,0% in 1994. The nominal interest rates of Treasury Bills followed, for the largest part of 1997, a downward trend, which was reversed in the last quarter of 1997, reaching the level of 11,2%. Deposit and loan nominal rates were also steadily reduced as a result of economic policy actions to boost productive activities and approach the criteria for EMU. As it was expected, the falling interest rates for most of 1997 led to a stock market boom, which was succeeded by a moderate slowdown in the last two months of 1997.

Net private capital inflows were positive and strongly rising during 1995-96, providing more than sufficient foreign exchange to close the current account deficit. This rising trend continued for 1997, exhibiting two seasonal downturns, in May and November of 1997. The growth rate of money supply (M3) was reduced from 10,3% in 1995 to 9,3% in 1996, while it is expected to rise further in 1997 as a result of the increased production activity. At the same time, the economy's extended liquidity level, as shown by M4, has expanded from 8,2% in 1995 to 12,0% in 1996 while it is expected to get further reduced in 1997.

The rising liquidity levels of the Greek economy are also observed in the evolution of credit expansion by both the commercial banks and the central bank. In 1997, total credit expansion to the economy increased by 11,9%, approaching 2,1 trillion GDR. Approximately 41,4% of the total expansion was absorbed by the public sector, representing an increase of 10,8% in relation to 1996, whilst the rest was absorbed rapidly by the private sector, representing an increase of 13,85%. Finally, according to the Bank of Greece data, in 1997 private sector deposits in commercial banks and credit institutions increased by 15,7% in relation to the previous year, exceeding 19,19 trillion GDR. Thus, all available evidence confesses to the rising dynamism in the private sector of the Greek economy.

2. THE GREEK CAPITAL AND MONEY MARKETS

General Overview

The substantial growth of output, the effective containment of inflationary pressures and the fall in nominal interest rates during 1997, contributed to the revitalization of activities in the capital and money markets. The considerable increases in capital returns that were realized and the creation of a

generally optimistic environment surrounding investors decisions led to a massive inflow of domestic and foreign capital. As a result, capital market developments were accelerated, leading to large increases in both new listings and share capital in the Athens Stock Exchange.

The sizable growth of transactions and the revitalization of financial activity took place in conditions of considerable smoothness in the functioning of the market, characterized by increased participation of new categories of investors. The changes in the composition of small investor portfolios from fixed income government securities to private sector securities took place in a gradual and calm way, associated with moderate volatility and the absence of destabilizing effects in the market.

During 1997, the Greek capital market was characterized by a radical modernization of the market's regulatory framework, aiming at the improvement of the terms of operation and the firm foundation of the credibility of the financial system. The development of effective supervision processes was realized through the formation of special priorities aiming at the widening of the prudence and transparency of transactions. Thus, priority was given to the investors protection from systemic risks, the timely implementation of prudential rules of practice by brokerage firms, the containment of price manipulation efforts and, finally, the widening of the investors' protection schemes. The improvements in the institutional, functional and supervisory framework of the capital market played, therefore, an important role in the establishment of optimistic confidence levels guiding financial activities through the Athens Stock Exchange for 1997.

As it was pointed out before, the rising trend in financial activity was curbed during the last quarter of 1997 as a result of domestic impact of the international financial disturbances, causing a fall in the ASE General Index. However, this unfavourable development does not weaken the general fact that 1997 was the year with the most persistent and robust increase in the ASE General Index, associated with substantial inflows of domestic and foreign capital in the capital market and significant capital gains for investors. The early characterization of the Greek capital market by various international entities as an 'emerging market', contributed significantly to the increase in the capital inflows, which under the force of the recent world events was reversed near the year's end towards the capital markets of the advanced economies. However, it must be noted that throughout 1997 the macroeconomic improvements in the Greek economy, the extensive institutional and regulatory changes taking place in the Greek capital market, the design and prospective implementation of innovative regulatory policies for 1998 and the firmly founded prospects of joining the EMU, support the view that Greece is already elevating from the status of an emerging market to that of an advanced one.

The Developments in the Main and Parallel Market

The past year has seen a dramatic increase in the financial markets' performance. At the same time, the reduction of the general level of uncertainty characterizing the last few years, the improvements in the regulatory framework of the capital market and the general optimism about the future course of financial developments in association with the falling interest rates led to considerable increases in financial returns and subsequently in the number of new listings and the value of share capital in the ASE.

These positive developments are manifested in the course of the ASE General Index, the total volume of transactions and the capitalization levels of listed companies. The ASE General Index demonstrated an unusually powerful increase, given the country's past experience, closing on September at 1771 points, whilst its highest level reached during the year was 1808 points. As Table 2 shows, the General Index on the 31/12/97 was at 1479 points, representing an increase of 58,51% relative to the same period in 1996. The increase, as Figure 1 shows, was associated with some fluctuations during the period from April to July, and approached its highest level during the period from August to September.

The developments in the evolution of the ASE sectoral indices show that the banking sector index was characterized by the most impressive growth, particularly during the period from January to May. While exhibiting fluctuations, the index was characterized by a falling trend which is comparable to that of the General Index. At the same time, the share price index of the manufacturing sector followed a smoother trend, characterized by smaller fluctuations, which were eventually stabilized at levels comparable to the year's highest.

FIGURE 1.
The Monthly Indices in the Athens Stock Exchange for 1997

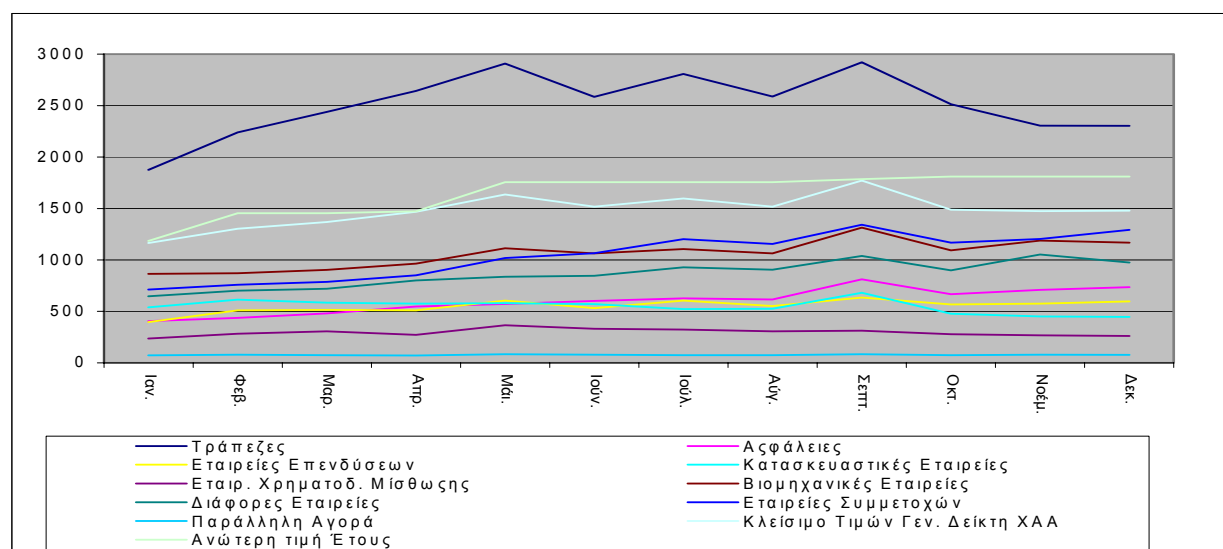


TABLE 2.
Average Percentage Change of the ASE General Index, 1983-97

\hat{c}	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
\hat{c}														
1984	1,58													
1985	10,35	9,89												
1986	21,25	32,48	46,38											
1987	47,06	66,36	95,97	162,4										
1988	36,85	47,44	57,96	64,09	2,64									
1989	41,08	50,66	59,52	64,16	29,85	64,29								
1990	48,60	58,32	67,38	73,08	50,67	82,56	102,9							
1991	38,95	45,31	50,05	50,79	31,30	42,53	32,76	13,12						
1992	31,23	35,50	37,88	36,52	19,80	24,52	13,53	15,07	16,97					
1993	32,32	36,27	38,46	37,37	23,33	27,94	20,19	0,94	8,81	42,59				
1994	27,85	30,82	32,10	30,41	18,02	20,80	13,59	-1,74	2,38	13,68	-9,36			
1995	25,79	28,26	29,12	27,34	16,34	18,44	12,15	-0,39	3,08	10,79	-2,35	5,21		
1996	23,79	25,84	26,40	24,56	14,66	16,26	10,66	0,03	2,89	8,55	-0,88	3,65	2,11	
1997	25,96	28,06	28,76	27,27	18,39	20,28	15,69	6,77	10,50	17,00	11,35	19,26	30,25	58,51

Source: ASE, CMC

The average overall efficiency of listed companies during 1997, as it is reflected in the price: earnings ratios of the Greek economy presented in Table 3 has shown signs of improvement. The ratio reached, in December 1997, the value of 19,1, representing a 35,4% increase in relation to 1996. The increase was, however, associated with fluctuations. The relatively smooth rising trend of the general P/E ratio is not observed in the evolution of the other sectors' ratios. Thus, the ratios of Insurance Companies, Holding Companies and Investment Companies have exhibited rising trends, without avoiding some fluctuations. A rather disorderly trend emerges too in the evolution of the sectors of Informatics Companies, Containers' Industries and Paper Mills. In general, the evolution of most sectoral P/E ratios followed the evolution of the general ratio.

TABLE 3.
Weighted Price:Earnings Ratios for the Greek Capital Market, 1995-97

	<i>December. 1995</i>	<i>December 1996</i>	<i>December 1997</i>
<i>Banks</i>	6,4	7,9	18,6
<i>Insurance Companies</i>	30,3	30,5	31,9
<i>Investment Companies</i>	6,6	8,0	11,9
<i>Leasing Companies</i>	7,5	6,7	11,8
<i>Holding Companies</i>	55,4	55,2	40,3
<i>Telecommunication Companies</i>		17,7	15,9
<i>Passenger Shipping</i>	7,1	08,5	7,3
<i>Textile Companies</i>	16,6	10,2	15,0
<i>Chemical Companies</i>	23,0	11,6	25,8
<i>Pharmaceutical and Cosmetics Co</i>	16,5	12,2	15,8
<i>Building Materials and Cement Co</i>	18,6	21,7	31,7
<i>Construction and Technical Co</i>	12,9	10,2	10,0
<i>Mines</i>	17,5	12,2	16,8
<i>Metallurgical Companies</i>	19,4	15,4	22,8
<i>Food and Spirits Companies</i>	19,5	24,2	31,7
<i>Flour Mills</i>	23,2	17,4	26,0
<i>Cold Storage</i>		37,3	22,9
<i>Tobacco Companies</i>	11,8	11,4	11,7
<i>Containers Ind. and Paper Mills</i>	15,8	7,8	15,5
<i>Wood Product Companies</i>	30,5	14,3	31,0
<i>Hotels</i>			60,8
<i>Miscellaneous</i>	24,7	19,4	14,2
<i>Informatics Companies</i>	10,7	28,8	14,2
<i>Printed Information Systems</i>	54,0	15,1	16,1
<i>Mass Media</i>	12,6	26,4	64,8
<i>Secondary Market</i>	25,1	13,6	17,6
TOTAL	13,7	14,1	19,1

Source: ASE.

The continuously improving share prices in the domestic capital market reflect the increased profitability observed in recent years, which is also expected to continue for the future. According to Table 4, the corporate balance-sheets of 1996 show that the net profits of listed companies amounted to 684,36 billion GRD, representing an increase of 87,3% in relation to 1995 and an almost triple increase in relation to 1991. For 1996, the growth of distributed dividends was equally impressive, exceeding 243,59 billion GDR, representing an increase of 25,8% in relation to 1995. However, the entire 1990-95 period was characterized by a considerable change in dividend policy by private corporations. The share of distributed dividends was quite low in the 1990-93 period, rose by 35,0% in 1994, then fell in 1995 and, finally, rose again in 1996. According to all available evidence the rising trend is expected to continue for 1997 too.

TABLE 4.
Net Profits and Distributed Dividends of the ASE Listed Companies, 1990-96

<i>Year</i>	<i>Net Profits</i>		<i>Distributed Dividends</i>		<i>Percent of Profit Distribution</i>
	<i>(million GDR)</i>		<i>(million GDR)</i>		
	<i>Amount</i>	<i>% change</i>	<i>Amount</i>	<i>% Change.</i>	<i>Percent</i>
1990	155.356		93.688		60,31
1991	236.594	0,523	127.489	0,361	53,89
1992	179.999	-0,239	89.147	-0,301	49,53
1993	311.186	0,729	120.343	0,350	38,67
1994	347.249	0,116	171.408	0,424	49,36
1995	365.422	0,052	193.628	0,130	52,99
1996	684.355	0,873	243.586	0,258	33,59

Sources: ASE, CMC.

The rise in financial activities during 1997 is clearly reflected in the evolution of the total volume of transactions. According to Table 5, the total value of transactions reached 5,82 trillion GDR, representing an increase of 192% in relation to 1996. More specifically, the total value of transactions in the primary market rose by 204,81% in relation to 1996, exceeding 5,54 trillion GDR

The evolution of the monthly value of transactions initially exhibited fluctuations, which were succeeded by a steady rising trend, owing to the large increase in share capital by the Greek Telecommunications Organization (GTO). The upward movement in the volume of transactions in the main market was also observed in the parallel market. Even though the parallel market is still small in relation to the main market, the growth rate of transactions during the period 1996-97 was about 51,78%, amounting to 261,73 billion GDR, an increase that is considerably higher than the 14% increase in the 1995-96 period.

TABLE 5.
The Value of Transactions in the ASE, 1990–1997

<i>Year</i>	<i>Primary Market</i>	<i>Secondary Market</i>	<i>Total Market</i>
	<i>(bill GDR)</i>	<i>(billion GDR)</i>	<i>(billion GDR)</i>
1990	606,94	1,75	667,46
1991	435,28	2,27	499,66
1992	305,25	2,04	332,67
1993	624,30	12,78	645,85
1994	1225,60	35,79	1266,40
1995	1257,70	150,79	1410,70
1996	1817,60	172,44	1993,20
1997	5540,28	261,73	5820,54

Source: ASE

The growing importance of financial developments in the Greek economy was finally reflected on the market value of listed shares. According to Table 6, the level of capitalization of listed shares was characterized by an impressive both in absolute terms and as a percent in GDP.

TABLE 6.
Total Capitalization of the ASE Listed Shares, 1991-1997
(Billion GDR)

Year	Main Market								Parallel Market	Total	Total / GDP ^{a,β}		
	Banks, Insurance Co, leasing Co, Etc.		Manufacturing Co.		Miscellaneous		Total for the Main Market				Amount	Ratio	% change
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount			% change	
Dec. 1991	1.137,1	0,48	949,9	0,40	249,5	0,11	2.336,5	0,99	18,7	0,01	2.355,2	0,145	
Dec. 1992	916,9	0,45	836,3	0,41	273,0	0,14	2.026,2	0,99	18,1	0,01	2.044,3	0,109	-0,25
Dec. 1993	1.194,9	0,38	1.625,0	0,52	287,5	0,09	3.107,4	0,99	9,6	0,00	3.117,0	0,147	0,35
Dec. 1994	1.230,3	0,34	1.882,4	0,53	381,0	0,11	3.493,7	0,98	84,1	0,03	3.577,8	0,149	0,01
Dec. 1995	1.391,1	0,35	2.077,4	0,52	403,8	0,10	3.872,3	0,96	153,7	0,04	4.026,0	0,151	0,01
Dec. 1996	1.669,1	0,28	1.940,6	0,33	2.143,2	0,36	5.752,9	0,97	191,9	0,03	5.944,8	0,201	0,33
Dec. 1997	3.058,6	0,31	3.222,5	0,33	3.202,1	0,33	9.483,2	0,97	328,1	0,03	9.811,3	0,300	0,49

Notes: ^a Annual percentage changes refer to December of each year.

^β The calculation of the ratio is based on the Ministry of National Economy estimations for 1997 GDP

Sources: ASE, CMC.

The total capitalization value of listed shares in the end of 1997 approached 9,81 trillion GDR. This amount is increased by 65,04% in relation to 1996, whilst it represents a triple increase for the 1993-97 period. The total market capitalization in 1997, in market prices, approached the one third of GDP, thus showing an increase by 49% in relation to 1996 and by 82% in relation to 1995. These figures may be taken as a clear reflection of the vigour of financial activity and the increasing importance of the capital market for the Greek economy

New Issues in the Capital Market

In conditions of falling interest rates, most enterprises would be expected to meet their investment needs through borrowing rather than the issue of new shares. However, in 1997, the initial public offerings were very extensive. This was also the result of a change in investors preferences from money holding to securities.

The capital market activity is in general characterized by a small decrease in the number of new listings in the ASE and a considerable increase in the listed companies' share capital. During 1996,

twenty new companies were listed in the ASE whilst the figure for 1997 was eighteen. However, the amount of capital raised through the ASE in 1997 was substantially higher than that of 1996.

It must be noted that the size of those magnitudes reflects the high relative weight of the first issue by the Greek Telecommunications Organization, the value of which in 1996 was about 80 billion GDR, corresponding to the 81,5% of total capital raised in that year. The value of the second issue by GTO in 1997 rose to 189,9 billion GDR, an amount representing the 80,8% of total capital raised in the year.

Notwithstanding the relative weight of GTO, the increase in the value of new listings, in terms of capital raised, was also very significant, since the total value increased from 18,18 billion GDR in 1996 to 30,78 billion GDR in 1997. If GTO is included, the total amounts are raised to 98,18 billion in 1996 and 220,68 billion GDR in 1997, respectively, realizing an overall increase of 124,8%.

The high relative weight of GTO in financial activities was a remarkable event for the Greek capital market. It is obvious that the satisfactory results of capital raised through the ASE contributed significantly to the invigoration of the capital market's financial activities and constituted a success story in the ongoing Greek government's structural change policies aiming at the meeting of the criteria for joining the EMU.

The total value of new listings rose significantly in 1997, approaching in terms of raised capital, 502,72 billion GDR. The rise, supplementary to the incorporation of GTO's shares, was also the result of the dynamic growth of the banking sector. The National Bank of Greece and the Alpha Credit Bank raised their share capital by 80,37 billion GDR and 78,6 billion GDR, respectively, whilst the Ergo Bank and the Bank of Piraeus raised their share capital by 26,54 billion GDR and 15,8 billion GDR respectively. The total amount of capital raised by the banking sector represents 40,55% of the total capital raised through the ASE. Significant amounts of capital were also raised by private enterprises such as Mechaniki SA which raised 11,21 billion GDR and Attica Enterprises SA and Kambas SA, both of which raised about 8 billion GDR.

The new listing activity took place in both the main and the parallel market. However, most of the activity took place in the main market. In 1996, 65% of the new listings took place in the main market raising 9,57 billion GDR and 35% in the parallel market raising the amount of 8,62 billion GDR, which is increased to 88,62 billion GDR if the GTO issue is included. In 1997 the percentage distribution of new listings was about 50% for each market. However, the total amount raised in the main market approached 24,18 billion GDR, extended to 214,07 billion GDR if the increase in GTO's share capital is included. In the parallel market, the total amount raised approached 6,61 billion GDR, respectively. Thus, during 1996-97, the activity of the main market experienced remarkable growth, increasing relative to that of the parallel market by four times. Finally, for the same year, the new issues of shares were disposed mainly through public offering policies rather than private placement, accounting for 81,6% of total initial offerings in 1996 and 99,8% in 1997, respectively.

During the same period, the Greek government proceeded with its planned borrowing policy, meeting its funding needs through internal borrowing through the offering a wide range of new financial instruments. The Treasury Bills rates followed a downward trend, approaching in August the levels of 8,40%, 8,70% and 9,50% for the three-month, six-month and twelve-month bills, respectively. During the first quarter of 1997, the government issued Treasury bills, fixed and variable income bonds and zero coupons. These issues were either in materialized or dematerialized forms, offering rates competitive to those of long term deposits.

In the same period, the spreads of government bonds were characterized by a gradual reduction, approaching the levels of 0,30%, 0,80% and 1,30% for the three-year, five-year and seven-year bonds, respectively. At the same time, the government proceeded with the successful offering of two-year zero coupon bonds in a dematerialized form. In general, the offering of a wide range of new and diversified financial instruments by the government constituted a serious step toward the modernization efforts of the Greek capital market. It will, moreover, contribute to the rapid development of an organized parallel market for government bonds and derivatives, thus securing the interests of both the government and the public.

3. SUPERVISED ENTITIES

Brokerage Firms and Companies Providing Investment Services.

An important development for the Athens Stock Exchange in 1996-97 was the implementation in the Greek capital market of the Investment Services Directives of the EU. The Directives (93/22/EEC, 93/6/EEC) were incorporated into the Greek legislation, through the Law 2396/96.

The above Law made particular contributions to the effective materialization of the Capital Adequacy Requirements and the Code of Conduct for brokerage firms and for companies providing investment services. The Law, supplemented by a series of Decision Rules issued by the CMC, aimed at the development of the transparency of transactions and the internal reorganization and improvement of brokerage firms.

Specifically, with respect to the brokerage firms and the companies providing investment services, the CMC applied the following rules:

- (a) Capital Adequacy Requirements (CMC rule 104/8-4-97).
- (b) A Code of Conduct (Decision 12263/B.500)

With respect to the improvement of the function of the financial market and its clearing procedures, the CMC took the following steps:

- (a) It ruled that daily transactions by brokerage firms exceeding their own capital base must be supported by letters of guarantee issued by commercial banks

(b) It ruled that the clearing and settlement of transactions must take place within three days, thus restricting open sales and purchases of securities and, therefore, preventing extensive share price fluctuations.

(c) It established and activated the Supplementary Fund for the coverage of brokerage firms default cases

For safeguarding the transparency of transactions, the CMC issued a decision, which prohibits explicitly price manipulation and money laundering activities. The reactions of the brokerage firms to those rules were positive and their compliance was fast. That was largely due to the recent experience of Delta brokerage firm's default (11/96). The overall positive results were reflected in the large increases in share prices and the volume of transactions in the ASE during 1997.

The increase in transaction levels for both 1996 and 1997, supplemented by the rising competitive strength of domestic brokerage firms, raised their average turnover. The proper and timely adjustment of brokerage firms operations to the relaxation of the CMCs restrictions and the intensification of competition resulted in the empowerment of their capital base, thus enabling them to compete successfully against the rising number of legal rules and restrictions as well as the demands for improvement in the provision of financial services.

These developments are shown in Table 7. The total volume of transactions for 1997 exceeded 10,3 trillion GDR or about 160 billion GDR on average for each brokerage firm. Among them, the subsidiaries of banks executed a relative large and persistently rising share of total transactions. These developments and the intensification of competition were associated with a reduction in the share of transactions volume executed by the first four brokerage firms, thus attesting to the realization that transaction activities are gradually spreading out. The increase in dispersion has, however, led to an increase in deviation levels between the smaller and the larger firms.

The analysis of net transaction volumes (that is excluding the packages of shares and the repurchase agreements), reveals the existence of differences with respect to both concentration and deviation levels. More specifically, the net volume of transactions for 1997 increased by 170% in relation to 1996, reaching the level of 8 trillion GDR and representing about 77% of the total transactions. The first four brokerage firms have executed about 25% of total transactions whilst the bank subsidiaries have shown rapid growth, executing about 31% of the total, considerably higher than the 22% rate observed in 1996.

The transaction value of the packages of shares increased somewhat less compared to the value of total transactions, representing 18,5% of the market in 1997, somewhat lower than the share of 19,5% in 1996. This was associated with an increase in the concentration of packages of shares into few brokerage firms: the first four covered the 75% of the total, whilst only the first one covered 35% of the total. The subsidiaries of banks covered 68% of the total in 1996 and 62% of the total in 1997. These firms are strongly motivated towards cooperation with foreign institutional investors, who appeared to realize most of the transactions regarding the packages of shares.

The transactions value of repurchase agreements, involving the services of eighteen brokerage firms, has doubled in 1997 in relation to the previous year, exceeding 500 billion GDR. The concentration levels were the highest of all: the first four brokerage firms executed about 70% of total transactions whilst the bank subsidiaries executed about 75% of the total.

TABLE 7.
Volume of Transactions in the ASE Executed by the Brokerage Firms, 1996-97.

	<i>1996</i>	<i>1997</i>	<i>% change</i>
	<i>(thousand GDR)</i>	<i>(thousand GDR)</i>	<i>96-97</i>
TOTAL TRANSACTION VOLUME	3.979.497.855	10.375.919.933	160,73
<i>% of the first four firms</i>	55,96%	53,90%	-3,68
<i>Average transaction volume per brokerage firm</i>	61.223.044	159.629.537	160,73
<i>Highest transaction volume per firm</i>	674.410.518	1.218.712.132	80,71
<i>Lowest transaction volume per firm</i>	3.771.434	10.675.583	183,06
<i>% of transaction volume by bank subsidiaries</i>	35,19%	38,82%	10,32
NET TRANSACTION VOLUME & SHARE PACKAGES	3.725.491.043	9.875.018.824	165,07
<i>% of the first four firms</i>	53,49%	52,77%	-1,35
<i>Average transaction volume per brokerage firm</i>	57.315.247	151.923.367	165,07
<i>Highest transaction volume per firm</i>	491.176.569	1.022.687.234	108,21
<i>Lowest transaction volume per firm</i>	3.771.434	10.675.583	183,06
<i>% of transaction volume by bank subsidiaries</i>	31,54%	36,97%	17,22
NET TRANSACTION VOLUME	2.947.323.035	7.959.679.221	170,06
<i>% of the first four firms</i>	45,40%	45,14%	-0,57
<i>Average transaction volume per brokerage firm</i>	45.343.431	122.456.603	170,06
<i>Highest transaction volume per firm</i>	282.434.383	653.822.189	131,50
<i>Lowest transaction volume per firm</i>	3.771.434	10.675.583	183,06
<i>% of transaction volume by bank subsidiaries</i>	21,79%	30,85%	41,58
PACKAGES OF SHARES			
<i>Transaction volume</i>	778.168.008	1.915.339.603	146,13
<i>% of the total transaction volume</i>	19,55%	18,46%	-5,60
<i>% of the first four firms</i>	87,90%	88,73%	0,94
<i>Number of firms involved in packages transactions</i>	43	49	13,95
<i>% of transaction volume by bank subsidiaries.</i>	68,47%	62,38%	-8,89
REPURCHASE AGREEMENTS			
<i>Transaction Volume</i>	254.006.811	500.901.108	97,20
<i>% of the total transaction volume</i>	6,38%	4,83%	-24,37
<i>% of the first four firms</i>	99,24%	96,98%	-2,28
<i>Number of firms involved in packages transactions</i>	14	18	28,57
<i>% of transaction volume by bank subsidiaries</i>	88,62%	75,35%	-14,97
DISTRIBUTION OF TOTAL TRANSACTION VOLUME			
<i>Net transactions</i>	74,06%	76,71%	3,58

<i>Packages of Shares</i>	19,55%	18,46%	-5,58
<i>Repurchase Agreements</i>	6,38%	4,83%	-24,29

Source: ASE, CMC

Under these circumstances, the most benefited are those brokerage firms, which aimed at the improvement of their capital base. Thus, the firms with a capital base of at least 1 billion GDR on 31/12/96 represented about 19% of the total number of firms, whilst they represented 10% of the total number in 1996. They also executed 54% and 41% of total transactions for 1997 and 1996 respectively. These figures seem somewhat in contrast with the dispersion results mentioned before, but they are in the spirit of the Law 2396/96, which aims at the improvement of capital adequacy of the brokerage firms.

Finally, the percent distribution of the total transactions volume, according to Table 8, shows a reduction in the market share of the packages of shares and the repurchase agreements and a rise in the market share of the net transaction volume, thus revealing a clear shift of investors towards the financial market.

TABLE 8.

Percentage Distribution of Total Transaction Volume by the Brokerage Firms, 1996-97.

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>% change 96-97</i>
<i>Net Transaction Volume</i>	74,06	76,71	3,58
<i>Packages of shares</i>	19,55	18,46	-5,58
<i>Repurchase Agreements</i>	6,38	4,83	-24,29

Sources: ASE, CMC

Mutual Funds Management Firms and Portfolio Investment Companies

In view of the modernization and development of the capital market, the CMC's efforts were geared towards the development and integration of regulatory actions and rules concerning the activities of Institutional Investors. An important step is the promulgation of the Law 2533/97 on the establishment of the derivatives market and other issues, which represents an advancement over the Law 1969/91 on collective investment institutions. Another important step is the issue by the CMC of a series of decisions concerning investors' protection (Decision 110/20-6-97, 111/4-7-97) and the restrictions applied on mutual funds assets (100/20-6-97, 106/23-7-97, 119/11-11-97).

More specifically, during 1997, the CMC issued the following decisions:

- i) Decision 100/4-2-97, concerning the exchange of mutual funds units with equity shares
- ii) Decision 106/13-5-97, concerning the use of derivatives by Institutional Investors

- iii) Decision 110/20-6-97 concerning the rules for the promotion of mutual funds units
- iv) Decision 111/4-7-97 concerning the Mutual Fund Prospectus
- v) Decision 119/11-11-97, concerning the conditions for license granting to Mutual Funds and Portfolio Investment Companies for investing in Warrants.

Mutual Funds

Mutual Funds operations are particularly important given the fact that they manage a large part of the Greek investors savings. According to Table 9, in October 1997, the value of total assets of mutual funds corresponded to about one third of the total private deposits in commercial banks and credit institutions. During 1996-97, the growth rate of mutual fund assets was 80,17%, substantially higher than the growth rate of 58%, observed during the 1995-96 period.

TABLE 9.
Total Deposits and Total Assets of Mutual Funds, 1995-97

<i>Year</i>	<i>Total Deposits of Credit Institutions / Total Bank Deposits</i>		<i>Total Assets of Mutual Funds</i>	
	<i>Amount (billion GDR)</i>	<i>% change</i>	<i>Amount (billion GDR)</i>	<i>% change</i>
1995	15.766,1	14,7	2.453,08	82,15
1996	17.997,1	14,2	3.874,29	58,00
1997*	19.110,8	15,7	6.425,86	80,17

Note: Data for 1997 are available until 31/10/97.

Sources: Bank of Greece, Alpha Trust Investment Services SA, CMC

During the last few years, the Greek capital market manifested an important increase in the number of mutual funds activated in the Greek capital market. During the last three years, 45 new mutual funds were registered, representing an increase of 40%, while during last year their number increased by 17, raising the total to 160.

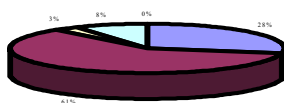
According to the CMC, on 31/12/97 the distribution of mutual funds by type of investment portfolio in Greece was as follows: 64 bond funds, 36 money market funds, 32 equity funds, 26 mixed funds and 2 special type funds. In 1997, the total assets of mutual funds amounted to 7,3 trillion GDR, representing an increase of 89,12% in relation to 1996. An important factor contributing to the increase was the improvement in the general macroeconomic conditions, the reduction of inflation and interest rates, the improved performance of the ASE and the increased profitability of the listed companies. A positive impact was exerted by numerous other factors too, such as the undertaking by Greece of the responsibility for the organization of the 2004 Olympic Games, the development and offering of new and diversified products in the mutual funds market and the development of new specialized promotion methods and networks.

On 31/12/97, in the Greek capital market there were 29 mutual funds management firms, of which 18 were bank subsidiaries, 7 were insurance companies subsidiaries, 3 were cooperative schemes between banks and insurance companies and 1 was a UK institution subsidiary. Their concentration level in the Greek capital market was quite high, since 27% of the mutual funds management firms seemed to control the 77% of the market, managing capital funds of about 5,6 trillion GDR which represented 76,7% of the mutual funds total assets.

The information contained in Tables III and IV of the Appendix, according to the CMC's Decision 79/9-7-96 on mutual funds classification, reveals the following:

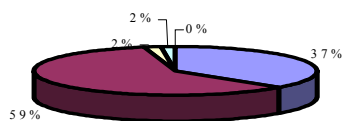
- i) The number of *Bond Mutual Funds* in the end of 1997 was increased to 64, representing an increase of 33% in the 1996-97 period. Among them, 40 were domestic bond mutual funds, 18 were foreign bond mutual funds, and 6 were international mutual funds. Their total market share was 28,16%, representing a fall in relation to the previous two years. The falling rates of government securities which constitute the largest part of those mutual funds' portfolio did not allow the realization of high returns, and this led to a movement of investors out of them. However, in 1997 the total assets of bond mutual funds amounted to 2,06 trillion GDR, representing an increase of 43,77% in relation to 1996.
- ii) The *Money Market Mutual Funds* have shown remarkable growth, which allowed them to gain the largest market share. In 1997, their assets represented about 60% of total assets, approaching 4,04 trillion GDR and representing an increase of 91,56% in relation to 1996. By the end of 1997, there were 36 money market funds in Greece, of which 31 were domestic ones, 2 were foreign ones and 3 were international.
- iii) The *Equity Mutual Funds*, were of special interest in 1997, for their returns were the highest among the returns of all other types of funds, since they were directly connected to the capital market developments. Their assets increased by 203,7% in relation to 1996, approaching 236,7 billion GDR and representing a 3,23% of the total mutual fund market.
- iv) The *Mixed Mutual Funds* were also characterized by dynamic growth in 1997, increasing their total assets by 946,9%. More specifically, during the same year, the mixed domestic mutual funds exhibited astonishing growth, increasing their assets by 1327,1%. On the other hand, the Mixed Foreign Mutual Funds in the Greek capital market were reduced to only 3, thus being associated with a 50% reduction in their activity in relation to 1996 and a 68,3% reduction in their assets.
- v) Finally, there were only 2 *Special Type Mutual Funds* in the Greek capital market which, despite their increase by 89,1% in assets during the 1996-97 period, did not achieve strong growth nor are they associated with strong growth prospects.

Διάγραμμα 2. Σύθεση Ελληνικής Αγοράς Α/Κ ανά Βασική Κατηγορία με βάση το Ενεργητικό της 31/12/1997



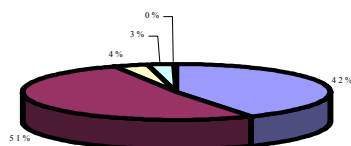
ΟΜΟΛΟΓΙΑΚΑ Α/Κ
 Α/Κ ΔΙΑΧ. ΔΙΑΘΕΣ.
 ΜΕΤΟΧΙΚΑ Α/Κ
 ΜΙΚΤΑ Α/Κ
 Α/Κ ΕΙΔΙΚΟΥ ΤΥΠΟΥ

Διάγραμμα 3. Σύθεση Ελληνικής Αγοράς Α/Κ ανά Βασική Κατηγορία με Βάση το Ενεργητικό της 31/12/1996



ΟΜΟΛΟΓΙΑΚΑ Α/Κ
 Α/Κ ΔΙΑΧ. ΔΙΑΘΕΣ.
 ΜΕΤΟΧΙΚΑ Α/Κ
 ΜΙΚΤΑ Α/Κ
 Α/Κ ΕΙΔΙΚΟΥ ΤΥΠΟΥ

Διάγραμμα 4. Σύθεση Ελληνικής Αγοράς Α/Κ ανά Βασική Κατηγορία με Βάση το Ενεργητικό της 31/12/1995



ΟΜΟΛΟΓΙΑΚΑ Α/Κ
 Α/Κ ΔΙΑΧ. ΔΙΑΘΕΣ.
 ΜΕΤΟΧΙΚΑ Α/Κ
 ΜΙΚΤΑ Α/Κ
 Α/Κ ΕΙΔΙΚΟΥ ΤΥΠΟΥ

At the same time, the Mutual Funds of the European Union were numbered at 15.785 in September 1997, of which 5.376 were Equity Funds reaching 514 billion ECU in assets, 5.131 were Bond Funds reaching 560 billion ECU in assets, 2.170 were Money Market Funds reaching 403 billion ECU. In addition, there were 141 Funds on Funds and 191 of other type Mutual Funds. According to the European Union of Institutional Investors (FEFSI), the national distribution of Mutual Fund assets is as follows: France ranks first with 462 billion ECU in assets, Luxembourg ranks second with 323 billion ECU in assets, Great Britain ranks third with 214 billion ECU, and then follows Italy with 163 billion ECU, Spain with 154 billion ECU and Germany with 134 billion ECU. The market share of Greece is about 1%.

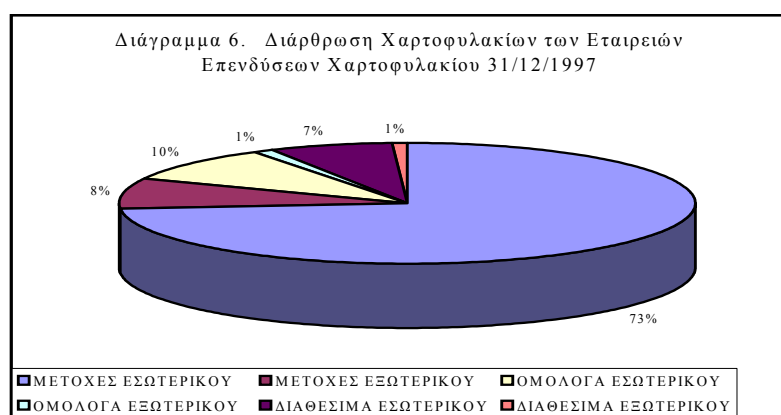
According to FEFSI data, the distribution of European Mutual Funds by type of fund is as follows:

- In Equity Mutual Funds, Great Britain ranks first with 188 billion ECU, Luxembourg ranks second with 78 billion ECU, followed by France with 63 billion ECU and Germany with 50 billion ECU
- In Bond Mutual Funds, Luxembourg ranks first with 157 billion ECU, France ranks second with 127 billion ECU, followed by Germany with 65 billion ECU and finally Spain with 63 billion ECU.
- In Mixed Mutual Funds, France ranks first with 83 billion ECU and Luxembourg ranks second with 20 billion ECU, followed by Spain with 16 billion ECU.
- In the Money Market Mutual Funds, France ranks again first with 189 billion ECU, Luxembourg ranks second with 68 billion ECU, Spain follows with 60 bil. ECU and Italy with 46 billion ECU

Portfolio Investment Companies

According to the Law 1969/91, Portfolio Investment Companies are oriented towards the management of portfolio securities and must be listed in the ASE within six months since their institution.

According to the Union of Institutional Investors, on 31/12/97 there were sixteen listed Portfolio Investment Companies in the Greek capital market. According to the Table V in the Appendix, the total capitalization value of those firms was about 173,5 billion GDR. Their portfolios consisted of equity by 81,7% (of which 8,1% was foreign equity), of fixed income bonds by 10,6% and of cash by 7,7% (of which about 0,9% was in foreign exchange).



4. INTERNATIONAL CAPITAL MARKET PERFORMANCE

Capital Market Developments

In 1996-97 growth has accelerated in some major countries and inflation has been successfully contained. As well as the fact that a trend towards reduction of labor cost has boosted profitability, an effort at containment of government deficits has reduced pressure of government securities on markets. Furthermore, the conditions were conducive to increases in asset values, although fears of exchange rates overvaluation have persisted in several major countries (Table 10).

TABLE 10
Evaluation of Key Macroeconomic Variables 1995-1997¹

<i>Countries</i>	<i>Exchange rates²</i>			<i>Gross Domestic Product³</i>			<i>Inflation rate⁴</i>			<i>Government gross debt⁵</i>		
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>
<i>YEAR</i>												
<i>Austria</i>	13.54	13.18	13.42	1.8	1.0	1.6	2.3	2.0	1.9	69.0	71.7	72.2
<i>Belgium</i>	39.66	38.55	39.25	1.9	1.4	2.2	1.6	2.0	2.1	133.7	130.6	127.0
<i>Denmark</i>	7.543	7.328	7.352	2.8	2.1	3.1	2.1	2.0	2.4	71.9	70.2	67.8
<i>Finland</i>	6.191	5.709	5.821	4.2	2.3	3.7	0.2	0.9	1.6	59.2	61.3	61.5
<i>France</i>	6.583	6.525	6.486	2.2	1.1	2.1	1.7	1.9	1.4	52.8	56.4	58.1
<i>Germany</i>	1.924	1.874	1.907	1.9	1.4	2.2	1.9	1.8	1.7	58.1	60.8	61.9
<i>Greece</i>	2.880	3.029	3.053	1.8	2.6	3.5	8.9	8.2	4.7	111.3	112.6	109.9
<i>Ireland</i>	0.794	0.815	0.797	10.7	7.8	5.8	2.0	2.0	2.2	81.6	74.7	70.0
<i>Italy</i>	1.915	2.130	1.959	3.0	0.8	1.4	5.8	3.9	2.9	124.9	123.4	122.3
<i>Luxembourg</i>	39.65	38.55	39.25	3.4	2.3	2.8	2.0	1.7	2.1	6.0	7.8	8.8
<i>Netherlands</i>	2.158	2.099	2.137	2.1	2.5	2.8	0.9	1.9	2.0	79.7	78.7	76.8
<i>Portugal</i>	1.969	1.961	1.956	2.3	2.5	2.8	4.2	3.3	3.0	71.7	71.1	69.0
<i>Spain</i>	1.589	1.630	1.606	2.8	2.1	2.7	4.7	3.6	2.9	65.7	67.8	67.1
<i>Sweden</i>	9.163	9.332	8.484	3.0	1.7	2.1	2.7	1.7	2.3	78.7	78.1	77.6
<i>U.K.</i>	0.776	0.829	0.819	2.4	2.3	3.0	2.6	2.5	2.4	54.1	56.2	57.0
<i>EU15</i>	1.000	1.000	1.000	2.4	1.6	2.3	3.0	2.6	2.2	71.3	73.5	73.7
<i>U.S.A.</i>	1.189	1.308	1.269	2.0	2.4	2.3	2.4	2.7	2.6	64.3	65.0	NA
<i>Japan</i>	1.213	1.230	1.377	0.8	3.8	1.8	-0.5	0.3	1.1	80.7	88.0	NA

Notes: ¹ Annual percentage change, unless other stated.

² Annual average, national currency units per ECU. For Greece, Portugal, Spain and Japan the exchange rate concerns 100 GRD, PTE, ESP and YEN respectively, whereas for Italy it concerns 1000 ITL

³ At 1990 prices.

⁴ Price deflator private consumption (ESA)

⁵ General government gross debt (end of period: percentage of GDP)

Source: European Economy, BIS and national data

A remarkable feature of developments in recent years has been the sharp rise in bond and equity prices in many countries. The long-term economic impact of these gains is unclear but an effect may be present in changes in the household saving rate. (Table 11). The saving rate did decline substantially in Japan, France, Denmark, Ireland, the Netherlands, Italy, Canada, Austria, Sweden and Switzerland, but not in the U.S.A. and the U.K. In those countries households hold a major share of their financial assets in equities, but the propensity to save actually rose in both countries.

TABLE 11
Equity And Bond Returns, Saving Rate And Consumption

(In percentages or percentage points)

<i>Countries</i>	<i>Equities</i> ¹	<i>Bonds</i> ¹	<i>Saving rate</i> ²	<i>Consumption</i> ³
<i>U.S.A.</i>	60.1	23.8	0.2	0.1
<i>Japan</i>	-2.6	23.0	-1.2	0.9
<i>Germany</i>	34.9	26.0	0.1	-0.8
<i>France</i>	34.6	32.3	-1.8	0.5
<i>Italy</i>	8.4	53.0	-1.2	-1.1
<i>U.K.</i>	40.4	25.4	0.7	1.1
<i>Canada</i>	46.0	36.4	-2.3	1.0
<i>Australia</i>	34.1	38.4	0.8	-0.9
<i>Austria</i>	8.6	28.1	-1.4	-0.5
<i>Denmark</i>	38.0	35.4	-2.3	0.4
<i>Ireland</i>	47.3	22.0	-1.7	2.3
<i>Netherlands</i>	57.5	29.9	-1.0	0.8
<i>Sweden</i>	65.2	49.3	-1.5	0.8
<i>Switzerland</i>	47.7	20.7	-0.8	-0.5

Notes: ¹ Cumulative return ² Change in the household saving rate, ³ Change in the growth of real private consumption

Sources: OECD, BIS and national data

Against a backdrop of generally subdued economic growth and low inflation, bond and equity markets recorded large gains in 1996. There is an open discussion concerning potential overvaluation of equity markets, especially in the U.S.A. The strong convergence of bond yields in Europe and the sharp declines in rates in the historically high-yielding markets suggest that part of the explanation for the recent gains in asset values may be an increased appetite for risk that might easily be reversed. Major exceptions to the trend towards higher asset prices are the Japanese stock market and the US bond market.

Stock prices set new records in 1996 & 1997. In most instances these sharp gains also came after large, cumulative increases in the previous four or five years. The major exception is Japan, where concerns about the impact of fiscal tightening on growth prospects and uncertainty over the impact of prospective financial deregulation have put downward pressure on equity prices. Japanese bank shares have been especially hit.

In some cases, recent advances in equity prices have been supported by strong growth of corporate earnings. However, there is more to the generalized run-up in share prices than strong corporate profits. As of March 1997, price/earnings ratios for most markets, including the U.S., were above their 1986-95 averages, and were at record levels in the Netherlands and Switzerland (see Table 12). Factors potentially underlying the global trend towards higher price/earnings multiples are: the impact of lower inflation rates on equity risk premia, the recent declines in nominal bond yields reflecting lower interest rates and the increased tendency, particularly in the U.S.A., for corporations to buy back their own shares.

TABLE 12.
Price: Earnings Ratios¹

<i>Countries</i>	<i>Sept.</i>	<i>Peak 1986-1995</i>	<i>Average</i>	<i>Dec.</i>	<i>Dec.</i>	<i>March</i>	
	<i>1987²</i>	<i>level</i>	<i>Date</i>	<i>1986-95</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>
<i>U.S.A.</i>	22	26	May 92	18	18	21	21
<i>Japan</i>	70	74	June 87	53	67	57	51
<i>Germany</i>	15	25	Dec 93	15	16	17	20
<i>France</i>	14	19	Jan 94	12	13	17	18
<i>Italy</i>	15	29	May 94	17	14	17	19
<i>U.K.</i>	17	21	Feb 94	15	16	16	16
<i>Canada</i>	18	33	Feb 94	17	15	20	21
<i>Netherlands</i>	15	18	Feb 94	12	13	18	20
<i>Greece</i>	NA	NA	NA	NA	14	14	19
<i>Sweden</i>	23	30	Feb 94	18	17	15	17
<i>Switzerland</i>	14	19	Feb 94	13	17	20	23
<i>Belgium</i>	15	20	Feb 94	14	14	16	18

Notes: ¹Ratio of price to reported earnings per share ²Month preceding the global stock market crash.
Sources: Datastream, OECD, BIS and national data

Whether the recent gains in equity prices will prove to be sustainable will depend in part on the future course of corporate profits. Analysts are forecasting earnings growth in the U.S.A. of 13% per year on average over the next two to four years. Aggressive corporate cost-cutting, an increased rate of technological advance reflected in reduced costs of capital goods, and the opening-up of new markets are several possible explanations for the recent earnings growth. The sustainability of the recent gains in

equity prices will also depend on how far other supporting factors, such as the appreciation of the US dollar in 1995-97 prove to be temporary. Further increases in long-term interest rates outside the U.S.A. or any significant tightening of US monetary policy or a reduced willingness of market participants to take on risk would also put a downward pressure on share prices.

The sustainability of high asset prices has been seriously tested in late 1997. At that time international financial markets and especially the developing Asian economies faced strong turbulence.

- The slowdown of their exports that led to pressures on current accounts and exchange rates.
- High level of external borrowing, speculative investment and over investment in property markets have also contributed to strain their currencies.
- Large and risky exposures of banks to regional business ventures

Table 13 presents the evaluation of main securities markets features.

Capital Market Infrastructure

Regulatory authorities have consistently supported further liberalization of their financial systems, fostering the process of structural convergence taking place between financial systems in the main economic blocs. Japan is an important recent example with a “Big Bang” initiative. Emerging market countries also liberalized their financial systems, although heavy capital flows led to the introduction of temporary restrictive measures in some of them.

Along with liberalization, various measures have been adopted to strengthen the regulatory structure of financial markets. While several of these were aimed at reducing the systemic risk through improvements to the payment and settlement infrastructure, one of the main thrusts of policy continued to be the development of a framework capable of dealing more flexibly with financial innovation. Concrete initiatives included steps to encourage the flow of information at the micro and macro levels, to harmonize rules between markets, to develop more meaningful and transparent accounting standards and to establish adequate documentation for new instruments.

In May 1996, the Basle Committee and IOSCO announced a joint initiative for the exchange of information between banking and securities supervisors of diversified financial groups. Searching a viable market-oriented, risk-based official framework, the identification by market participants and regulators of underlying market trends and the sources of potential systemic disturbances is assuming greater importance. These developments underline the need for adjustments to the existing regulatory framework. Greater prudence and accountability on the part of individual market participants is vital. In the recognition of these trends, closer cooperation is being developed between the Basle Committee, IOSCO and the IAIS in the framework of the Joint Forum on Financial Conglomerates. However,

differences in national supervisory arrangements and in securities environment make rapid progress difficult.

In November 1997, at a time of significant market volatility, regulatory authorities in the Annual Conference of IOSCO made the following observations, recognizing that further study and consideration would be needed to better understand recent developments:

- i) Despite the volatility, trading, clearing and settlement systems in general worked well and many systems handled extremely large volumes without disruption.
- ii) Worldwide cooperation developed since 1987, including the introduction of emergency cooperation measures between international regulators, worked well.
- iii) The use of circuit breakers, margins and other measures appears to have enabled markets to absorb information and to respond to the volatility.

In the European Union, regulatory authorities have worked towards the implementation of the ISD and have intensified their efforts at cooperation and mutual assistance. A result of these efforts was the formation in December of 1997 of FESCO (Forum of European Securities CMCs) with the following objectives:

- to share their experience and work together to facilitate the fair and efficient realization of the European Single Market in financial services.
- to unite their efforts in order to develop common regulatory standards in respect of the supervision of financial activities or markets concerning aspects that are not harmonized by the existing European Directives and where a common approach is appropriate.
- to provide, to the extent permitted by law, the broadest possible mutual assistance and to strengthen cross-border cooperation so as to enhance market surveillance and effective enforcement against abuse.

TABLE 13
Evaluation of Securities Markets Features

<i>Exchanges</i>	<i>Indices</i> 31/12/97	<i>% change /</i> Dec 96	<i>End Nov 1997</i> Market Capitalization Billion USD	<i>% change /</i> Nov 1996	<i>End Nov 1997</i> Value of Share Trading Billion USD	<i>Turnover Ratio</i> ³	<i>Market Capitalization /</i> GDP ⁴	<i>(Value of Share</i> Trading / GDP ⁴) *100	<i>End Nov 1997</i> Number of companies listed
<i>London</i>	5135.5	24.7	2026.1	20.4	161.09 ²	7,95	2.3	18.3	2981
<i>Germany</i>	4249.7	47.1	793.05	19.7	65.53 ²	8,3	6.1	50.2	2610
<i>Paris</i>	1853.75*	18.7	655.4	11.1	29.2 ¹ 107.22 ²	4,5 16,4	0.6	2.6 9.4	964
<i>Switzerland</i>	3898.15	55.2	548.98	33.0	32.09 ²	5,8	NA	NA	428
<i>Amsterdam</i>	594.9*	36.0	350.0	-4.9	16.54 ²	4,7	1.2	5.7	350
<i>Italy</i>	14912	44.3	313.5	22.8	14.84 ¹	4,7	0.3	1.6	241
<i>Madrid</i>	632.6	42.2	282.8	28.8	10.14 ¹ 30.48 ²	3,6 10,8	0.65	2.3 6.9	385
<i>Stockholm</i>	2935.8	23.8	270.7	14.6	12.60 ²	4,7	1.4	6.6	257
<i>Brussels</i>	6505.7*	-38.2	132.9	11.6	2.55 ¹	1,9	0.7	1.3	265
<i>Athens</i>	1479.6	58.5	34.9	44.8	1.81 ¹	5,2	0.4	1.9	220
<i>Vienna</i>	459.5*	7.1	33.4	5.0	0.96 ¹	2,9	0.2	0.6	136
<i>NYSE</i>	7908.25	22.6	8721.4	25.5	452.87 ¹	5,2	1.6	8.3	2628
<i>NASDAQ</i>	1221.0	-5.4	1825.3**	-	399.7** ²	21,9		7.3	5499**
<i>Tokyo</i>	15258	-21.2	2345.3	-27.4	60.19 ¹	2,6	0.7	1.8	1871
<i>Hong-Kong</i>	10722.8	-20.3	409.5	-7.1	29.02 ¹	7,1	NA	NA	652

Notes: * Data concerned end 11th 1997, ** Data concerned end 9th 1997

¹ Trading System View

² Regulated Environment View

³ Value of Share Trading / Market Capitalization

⁴ GDP is estimated in Million USD, using the USD/ECU exchange rate on 31-12-1997

Source: FIBV, CMC estimations

PART THREE

ACTIVITIES OF THE CAPITAL MARKET COMMISSION

1. SUPERVISION OF THE CAPITAL MARKET

The basic areas of supervision by the CMC are the following:

- ◆ Supervision of Brokerage Firms, Companies Providing Investment Services, Mutual Funds and Portfolio Investment Companies.
- ◆ Institution and implementation of regulatory rules concerning the normal function of the market and precautionary control procedures.
- ◆ Granting of licenses for brokerage firms and companies providing investment services and authorization of public offerings prospectuses.
- ◆ Implementation of policy actions, sanctions and penalties on financial law violations.

More specifically, the supervisory role of the CMC involves the following:

- ◆ Auditing of Brokerage Firms and Companies Providing Investment Services, inspection of compliance with capital adequacy requirements, the Code of Conduct and, more generally, the entire financial legislation.
- ◆ Auditing of Mutual Funds, Portfolio Investment Companies for their compliance with existing rules on portfolio investment limitations and with the Code of Conduct
- ◆ Research on price manipulation actions and inside information methods
- ◆ Audit of the appropriate uses of funds by the prospective new listings in the ASE according to their prospectuses
- ◆ Handling of and investigation on investors complaints.

During 1997, the basic areas of the regulatory and supervisory activities by the CMC were:

The Protection of Investors from Systemic Risks'. In this framework:

- ◆ A maximum of 3-day time period was established for the clearing and settlement of financial transactions and a bank check based payment method was enforced for clearing requirements
- ◆ Letters of guarantee by the banks are required for brokerage and companies providing investment services if the desired volume of daily transactions exceeds a prespecified limit.
- ◆ The Supplementary Fund was instituted for the coverage of financial exposure during the clearing procedure caused by default (Law 2471/97).

Implementation of Cleansing Rules on the Operation of Brokerage Firms. Two regulatory actions were taken:

- ◆ The Capital Adequacy Requirements rules. The implementation of these rules aims at the monitoring and control of risk levels undertaken by financial firms. More specifically, these risks refer to equity and other instruments risks, counterparty risk, settlement risk, large financial exposures and foreign exchange risks. The implementation of these rules guarantees the investor protection from brokerage firms defaults arising from fund insufficiency.
- ◆ The rules of the Code of Conduct. These rules contain guiding lines conditioning the relations and behavior of all entities involved in financial transactions, with the aim of securing the normal function of the market, investors interests, the level of competition and the transparency of transactions.

The Prevention and Punishment of Price and Transaction Manipulation Actions. More specifically:

- ◆ ‘Informal market making’ methods were severely prohibited. The CMC’s encyclical issued on 23-9-97, refers to informal market making and focuses on the prohibition of colluded transactions and market liquidity manipulation methods
- ◆ A decision (108/27-5-97) was issued for the elimination of money laundering activities. The decision aims at the transparency of capital inflows and the protection of the Greek capital market from illegal activities
- ◆ The provision of widely available public information for newly listed companies was established with respect to changes in their capital exceeding 1,5% of the total for the first 12 months (Law 2533/97)
- ◆ The establishment of Mutual Funds obligation for direct correspondence between the type of their classification and the composition of their portfolio.
- ◆ The establishment of the obligation by the ASE listed companies to publish every three months the results of their operations

2. GRANTING OF LICENSES, MODIFICATIONS OF ARTICLES OF ASSOCIATION, REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of the CMC took effective action on the following:

- ◆ Approved the operation license of seven companies providing investment services and two brokerage firms.

- ◆ Approved the modification of operation license of nine brokerage firms and their conversion into companies providing investment services, according to the Law 2396/96
- ◆ Approved twenty company prospectuses for initial public offerings.

The CMC approved the license for the establishment of twenty five subsidiaries and representative offices of brokerage firms, approved the increase in share capital of twenty one listed companies, approved the transferring of shares in nine cases and, finally, approved the appointment of new members in the Board of Directors of twenty one companies.

In addition, the CMC approved the issue of new equity shares by an company providing investment services, the transferring of shares in two firms, the establishment of a company's subsidiary and the replacement of members of the Board of Directors of two companies.

Moreover, the CMC approved the operation license in seventeen domestic and four foreign Mutual Funds, approved the modification of the regulations in twenty eight Mutual Funds Management Firms, approved the modification of the articles of association of six Mutual Funds, the transfer of shares in three Mutual Funds Management Firms and the appointment of new members in the Board of Directors of eight firms.

Finally, the CMC approved the modifications of the constitutional documents of four Portfolio Investment Companies and approved the appointment of new members in the Board of Directors of five Firms (Table VI in the Appendix).

3. RECALL OF LICENSES, PENALTIES AND FINES, DELISTING OF COMPANIES AND SUPERVISORY ACTIONS

During 1997, the CMC recalled the operations license of six brokerage firms for financial law violations.

According to the decisions of the CMC's Board of Directors, nineteen persons and five firms were fined and seventeen persons were sanctioned as a result of their involvement in the illegal activities of the Magrizos Co. and Parnassos Co. and the associated illegal manipulation of their shares by Delta brokerage firm. In addition, the CMC sanctioned three more brokerage firms for improper behavior and put six brokerage firms into tight three-month surveillance.

In addition, the CMC imposed a fine on a brokerage firm for violating the financial law and on three other firms for violating the Code of Conduct.

The CMC imposed fines on forty-six persons according to the Presidential Decree 51/92. These fines were related to violations regarding the omission of proper information disclosure or the unjustified delay in information disclosure, as well as to violations regarding changes in the participation rate of the primary shareholders of listed companies.

The CMC imposed fines on thirty brokerage firms for violating the rules described in the Presidential Decree 360/85 as well as on two Mutual Fund Management Firms for violating the financial law and exceeding their investment limits, according to the article 33 of the Law 1969/91.

The CMC proceeded with the delisting of seven listed in the ASE companies either because the companies were under clearing conditions or because they were under long delays in their negotiations, or as a result of their violations of the article 2 of the financial law 148/67

Finally, the CMC proceeded with the thorough auditing of financial activities of sixteen brokerage firms.

4. THE CASE OF DELTA BROKERAGE FIRM AND THE 1996 EVENTS

On the 6th of November 1996, the brokerage firm Delta Securities SA expressed its inability to meet its financial obligations regarding the clearing of its transactions. The exposure gap of 2,5 billion GDR, caused by the firm's massive purchases of the Magrizos Co. and Parnassos Co. shares, paralyzed the system of financial transactions.

The solution to the problem was delayed by the absence of a direct support mechanism to defaulted companies as well as by the absence of an immediately activated transaction reversal mechanism of defaulted companies which would have acted as a circuit breaker in the electronic transactions system.

The solution to the problem was provided by the issue of a Government Decree on 18/11/96, which ruled that the exposure gap would temporarily be covered by funds provided by the Supplementary Fund and the Central Securities Depository.

In addition, the CMC on 12/11/97, in order to secure the normal function of the system and to protect the clearing of financial transactions, ruled that the clearing process must be completed strictly within 48 hours, according to the article 20 of Law 3632/28, the 'payment versus delivery' method shall be in force, the Central Securities Depository shall only be paid in cash or in guaranteed bank checks and all brokerage firms must secure letters of guarantee before they are allowed to trade beyond the level which corresponds to their own share capital.

The CMC introduced regulations for the institution of the Supplementary Fund for the coverage of the brokerage firms' large financial exposures during the clearing process, the modification of insurance coverage policies and the modernization of functional aspects of the Compensation Fund.

The CMC used the services of three auditing companies (Ernst & Young, Deloitte et Touche and Peat Marwick / Kyriakou), for the investigation and identification of the circumstances that led to the collapse of Delta brokerage firm. More specifically, the CMC asked for the examination of the economic outlook of all companies involved in the financial transactions of both the Delta brokerage firm and the Central Securities Depository, particularly with respect to the transactions of certain equity

shares during the May-November period 1996. Moreover, the services of a special team of legal advisors were hired to provide the legal foundation for the financial law violations by the Delta brokerage firm and its collaborators.

Following the results of the investigation, the CMC asked from sixteen brokerage firms to provide explanations for their activities and requested the immediate and direct listening of the violators' views. According to existing evidence and its legal evaluation, the CMC undertook specific legal actions.

It was proved that the violations were the result of informal market making of the shares of the Magrizos and Parnassos companies. A series of colluded transactions took place aiming at the manipulation of trading of those shares leading to a manipulated rise in their price.

With respect to the manipulation of the Magrizos shares, the CMC, imposed several administrative fines on seven persons and three brokerage firms, amounting to 1,88 billion GDR, and recalled the operations licenses of two firms. In addition, the CMC brought charges for financial law violations to seven persons. With respect to the manipulation of the Parnassos shares the CMC imposed administrative fines to twelve persons and two brokerage firms, amounting to 920 million GDR, and brought charges for financial law violations to ten persons

5. THE CONTRIBUTION OF THE CAPITAL MARKET COMMISSION TO THE GOVERNMENT REGULATORY ACTIVITIES DURING 1997.

The CMC contributed significantly to the formation of the Law 2533/97 concerning the institution of derivatives market, which was established on 11/11/97. The Law introduces two major innovations:

- (a) the establishment of the derivatives market, and
- (b) the modernization of the Supplementary Fund

The first steps for the implementation of the derivatives market have already been made through the initiation of the procedures for the formation of two companies, the Athens Derivatives Exchange and the Derivatives Clearing House.

The modernization of the Supplementary Fund involves the following elements:

- ◆ The amount of available funds is tripled.
- ◆ The application boundaries of the Fund are extended to all kinds of investment services over and above financial transactions such as underwriting, portfolio management and deposition of titles.
- ◆ The revision of the procedure for the identification and implementation of investors' compensation schemes based on a fast appreciation and objective coverage of losses.

The Law 2533/97 also includes the modification of the Presidential Decree 51/92, therefore establishing, for purposes of increased transparency, the obligation by large shareholders to provide information for every change in the structure of their portfolio that exceeds the rate of 1,5% for the first twelve months after the first listing of their shares in the Athens Stock Exchange.

Finally, the Law includes the modification of the Presidential Decree 360/85, therefore establishing the obligation of the listed in the ASE companies to publish the results of their activities every three months. This modification aims at the timely disclosure of information towards the investors and the public in general, in order to avoid errors and misunderstandings in the evolution of performance of the listed companies.

6. RULES AND DECISIONS BY THE CMC FOR 1997

During 1997, the CMC's Board of Directors met twenty eight times and issued seventeen regulation acts, of which the most important are the following:

- ◆ *'Prevention of Revenue Legalization from Illegal Activities'* (108/27-5-97). The decision rules that the representatives of all financial intermediaries must require the validation of identification of every person engaged in financial transactions and in cases of doubt they must collect sufficient information for them.
- ◆ *'Facilitation of the Financial Transactions Clearing Procedures'* (99/18-2-97). The decision identifies the financial obligation limits on the basis of which there occurs alternatively discretionary treatment, imposition of fines or suspension of operations.

For the functional implementation of the Capital Adequacy Requirements with respect to the Companies Providing Investment Services, as exemplified in the Law 2396/96, the CMC issued the Decision 104/8-4-97, which involves the following:

- ◆ *'The Definition of Own Share Capital for the Companies Providing Investment Services located in Greece'*. The decision defines own capital levels for those companies targeted by the CMC's supervision actions.
- ◆ *'The Solvency Ratio for the Companies Providing Investment Services located in Greece'* (104/8-4-97). The decision defines a solvency ratio level of no less than 8%, which must be held on a permanent basis by those firms.
- ◆ *'Supervision and Control of Large Financial Exposure Gaps by the Companies Providing Investment Services'* (104/8/4/97). The decision defines the calculation method and the maximum limits of large financial exposure gaps.

- ◆ *‘Capital Adequacy Requirements for Companies Providing Investment Services’* (104/8-4-97). The decision defines the meanings of the trading book, the involved risks, the large financial exposure gaps, unified supervision, own funds, the interest rate risk, the evaluation of positions in current market prices, information disclosure to supervisory authorities and the application of calculation methods.
- ◆ *‘The Use of Derivatives by Institutional Investors’* (106/23-7-97). The decision provides the opportunity to Institutional Investors to use derivatives for risk hedging purposes during their portfolio management activities.
- ◆ *‘Rules for the Promotion of Mutual Funds Units.’* (110/20-6-97). The decision rules that the Mutual Funds Management Firms are wholly responsible for the suitability of units promotion methods, the right choice and control of the suitability of their representatives who undertake the task of unit promotion.
- ◆ *‘The Investment of Mutual Funds and Portfolio Investment Companies on Warrants’* (119/11-11-97). The decision allows, at the CMC’s discretion, the investment on Warrants by Mutual Funds and Portfolio Investment Companies

7. INTERNATIONAL COOPERATION

i) Memoranda of Understanding (MOUs)

These are statements of intent, which do not impose legally binding obligations on signatories. Until today the CMC has signed a Memorandum of Understanding with the U.S. Securities & Exchange CMC. It is planned to sign Memoranda of Understanding with the National Securities CMC of Romania, the Cyprus Securities and Exchange CMC and others.

ii) Participation in International Conferences, Fora and Meetings in 1996-1997

A representation of the CMC participated in the annual Conferences of the International Organization of Securities Commissions (IOSCO) held on Septemebr 1996 in Montreal, Canada and on November 1997 in Taipei, Taiwan. The CMC also participated in six meetings of the informal group of Chairpersons of the EU Securities Commissions / Forum of European Securities Commissions (FESCO) as well as in ten meetings of specialized committeew, two conferences and an educational seminar.

8. PREPARATION FOR THE YEAR 2000

The CMC, wishing to stress the importance of the Year 2000 issue, which carries tremendous risks of disruption in the operations of financial institutions, has asked the supervised institutions to indicate the action plans they intend to apply in order to comply with the year 2000 problem in time.

For the same purpose the Athens Stock Exchange is sending recommendations to all its members and all listed companies so that they can face the Year 2000 problem promptly and in time. Moreover, the new Integrated Electronic Trading System, which is to be installed by the ASE in the next two months, is expected to take into account this issue, so as to ensure the continued proper functioning of computer applications.

APPENDIX A

Principal Legislation of Greek Capital Market

- **1876** *Establishment of the Athens Stock Exchange (ASE) and issuance of the first Stock Exchange Law based on the French Commercial Code.*
- **1909** *Modification of the existing stock exchange regulation*
- **1918** *Law 1308 set up Athens Stock Exchange as a public entity*
- **1928** *Law 3632 clarified brokers' and intermediaries' roles and responsibilities*
- **1985** *Presidential Decrees 348, 350 and 360/24-5-1985 set up the basic listing and prospectus requirements.*
- **1988** *Law 1806 introduced new concepts in stock exchange function and regulation. It provided the legal framework for the establishment of the Parallel market and the Central Securities Depository. It enlarged Stock Exchange Board of Directors and modernized the ASE*
- **1989** *Ministerial Decision 6280/B508 defined the legal and financial obligations of Stock Exchange members.*

Ministerial Decision 6281/B defined the type of information that should appear on the Athens Stock Exchange Daily Official List.
- **1990** *Law 1892 established the Central Securities Depository (CSD) as a joint stock company.*
- **1991** *Law 1969 established the CMC as a supervisory authority and regulated the foundation of Portfolio Investment Companies and of Mutual Funds.*
- **1992** *Presidential Decree 50 specified the type of information that should be included on a company's prospectus, as well as the procedure that should be followed for its acceptance. It established the mutual recognition of prospectuses published in other EC member states. The subject was complemented by Presidential Decree 52, which defined the way prospectuses should be published.*

Presidential Decree 51 stipulated the information that should be published in large holding acquisitions

Presidential Decree 53 established the legal framework against the dissemination of confidential and/or inside information.

The Automated Exchange Trade System became fully operational.
- **1993** *Law 2166 reinforced the role of the CMC*
- **1994** *Law 2198 introduced the dematerialization of treasury fixed income securities*
- **1995** *Law 2324 transformed the ASE into a joint stock company, supplement the listing regulations, allowed over the counter (OTC) transactions, defined the conditions for the disposal of shares*

through private placement, broadened the scope of activities of brokerage companies, allowed remote broking, deregulated CMCs and introduced amendments to the CMC regulations.

Law 2328 (Article 15) obliged all Greek joint stock companies engaged in public sector projects – including the provision of services - of a value greater than one billion GRD to convert their shares into registered up to the individual shareholder. Joint stock companies holding shares in such companies also fall under the obligation to convert their shares into registered.

- 1996** *Law 2396 implemented into Greek Law the EU Directives on “The Provision of Investment Services” and on “The Capital Adequacy of Companies Providing Investment Services” legalized the introduction of Greek Certificates into the Greek capital market and enacted the conditions for the dematerialization of listed shares.*

Law 2414 amended the article 15 of Law 2328/95, so that shares owned by UCITS, portfolio investment companies of Law 1969/91, banks, insurance companies, brokerage companies and venture capital companies could be exempted from converting their shares into registered ones up to the level of a natural person, provided that their holding does not exceed 5% of the listed company’s share capital. Banks holding more than 5% of a company’s non-registered shares were also exempted, under the condition that such an event would be the result of an underwriting or a forced sale operation.

Law 2372 regulated issues concerning the non-compliance of listed companies with the conversion of their shares into registered ones up to the level of the natural person within the specified deadline.

Law 2374 provided the legal framework for the launching of the first privatization into the Greek capital market.

- 1997** *Law 2471 promulgated the law decree concerning the case of DELTA brokerage firm and established the Supplementary Fund (Settlement Account)*

Law 2533 established the Athens Derivatives Exchange and set the relevant derivatives exchange regulation. It provided the legal framework for the establishment of the second Parallel market called Greek Market of Emerging Capital Markets and modified the existing Supplementary Fund amending provisions in all relevant existing statutes.

APPENDIX B.
A Brief Description of the Decisions of the CMC, 1997

<i>A/a</i>	<i>Meeting</i>	<i>Gazette</i>	<i>Name</i>	<i>Description</i>
1	99/97		ACCOMODATION OF THE TRANSACTIONS CLEARING PROCEDURE	Par. 1: Liabilities in securities up to 1 million GDR are treated with tolerance, for liabilities larger than 1 million GDR there is fine imposition, or discontinuation of operations.
2 2	100/97		EXCHANGES OF MUTUAL FUNDS SHARES WITH EQUITY SHARES	Par. 5: Obligation of information disclosure to the CMC relating to the exchange of mutual funds units with particular equity shares and the personal details of clients: directly if the transaction is over a 100 mil GDR and within the first ten days of next month for monthly transactions whose sum exceeds 100 mil GDR
3 3	104/97	369 12/5/97	1) OWN FUNDS DEFINITION OF INVESTMENT SERVICES FIRMS IN GREECE 2) SOLVENCY RATIOS DEFINITION FOR INVESTMENT SERVICES FIRMS IN GREECE 3) SUPERVISION & AUDIT OF LARGE FINANCIAL EXPOSURE GAPS OF THE INVESTMENT SERVICES FIRMS	– Companies Providing Investment Services(implementation of Law 2396/96) 1) Par. 6A, 2) Par. 6B, 3) Par. 6Γ
4 4	104/97	357 - 2/5/97	CAPITAL ADEQUACY REQUIREMENTS OF INVESTMENT SERVICES FIRMS	Par. 6D - Companies Providing Investment Services(implementation of Law 2396/96, Appendix)
5 5	105/97		MODIFICATION OF DECISION 76/ 28.5.96 FOR THE SPECIFICATION OF RIGHTS IN THE CENTRAL SECURITIES DEPOSITORY	Par. 8: Modification about (a) the transformation of shares for which depository receipts has been issued (b) the total value of transferable securities
6 6	106/97		CONTRIBUTIONS TO THE TRANSACTION CLEARING FUND OF THE ASE	Par. 4: (a) For 12 mos., there is additional contribution to the EKE by each member of the ASE by 0,01% on the daily transactions value, (b) for the new members of the ASE after 1-1-97, the initial contribution is 10% of initial share capital, (c) the initial contribution of a foreign investment firm that becomes a member in the ASE is 40% of its equity capital (no contribution to the Guarantee Fund), (d) the total of EKE belongs to the ASE and its members according to their contribution
7 7	106/97		THE USE OF FINANCIAL DERIVATIVES BY THE INSTITUTIONAL INVESTORS	Par. 6: (a) the use of derivatives for hedging of risks, (b) types of derivatives allowed, (c) limits and conditions of investments, (d) daily holding and evaluation, (e) restrictions on derivatives (f) provision for information to the CMC every 3 mos., (g) prospectuses
8 8	108/97		PREVENTION & LEGALIZATION OF REVENUES FROM ILLEGAL ACTIVITIES	Par. 6: All financial representatives must (a) require the identification card of the customer during contract making, (b) when the counterparty acts on behalf of a third party he must prove the identification of the 3 rd party, (c) in case of doubt for the party, the financial institutions must collect all necessary

			information
5 9	109/97	MODIFICATION OF THE DECISION 12/7.6.94/ ABOUT THE DISTRIBUTION OF EXPENSES FROM THE APPLICATION OF THE COMPUTERIZATION OF THE ASE	Par. 2: The modification is as follows: 'there is a recall of the obligation of the members in the ASE for contribution according to subpar. (a) until 25-6-98.
1 0	110/97	RULES FOR THE PROMOTION OF MUTUAL FUNDS SHARES	Par. 4: the Mutual Funds Management Firms are wholly responsible for the promotion methods of shares, the right choice and control of the appropriateness of their representatives who undertake the task of share promotion. Within 2 days cash or titles must be surrendered in order to proceed with the participation either from collaborators or representatives.
1 12	111/97	A BRIEF INFORMATION BOOKLET FOR MUTUAL FUNDS	Par. 4: Description of the information that must be provided to the investors by the Mutual Funds Management Firms.
1 13	111/97	RECEIPT OF CONTRIBUTIONS, FEES. ETC BY THE CMC	Par 10: (a) 0,02% of new issues on the total value of capital inflow (and bond loan) increased by 2,4%. (b) Six month obligations: i) Investment Firms: if equity capital > 1 billion GDR, the obligation is for 750.000 GDR, if eq. Cap. is between 200 mil and 1 bill GDR, the obl. is 350.000. ii) Portfolio Investment Companies: if equity capital > 1 billion GDR, the obligation is for 750.000 GDR, if eq. cap. is less, the obi. is 300.000 iii) Mutual Funds Management Firms: if equity capital > 1 billion GDR, the obligation is for 750.000 GDR, if eq. cap. is less, the obl. is 300.000. (c) For all investment firms: provision of license and constitutional document the obligation is 500.000 , approval of license and constitutional document the obligation is 250.000 GDR
1 14	119/97	MODIFICATION OF THE DECISION 74/ 14.5.96 FOR THE SPECIFICATION OF RIGHTS FOR THE DEPOSITORY SA	Par. 2: Transfer rights of financial transactions of shares are reduced from 0,15% to 0,09% of total value. AEAT will receive 0,05%. The percentage contribution of the ASE member to AEAT for transactions clearing of shares is reduced from 0,018% to 0,011
1 15	119/97	SUPPLEMENT TO THE MINISTERIAL DECISION 74985/B1142/28.11.91 FOR RECOGNIZED MARKETS IN WHICH THE MUTUAL FUNDS AND THE PORTFOLIO INVESTMENT COMPANIES MAY INVEST	Par. 3: Cooperation of European, American and Asian Stock Exchanges
1 16	119/97	THE INVESTMENT BY MUTUAL FUNDS AND PORTFOLIO INVESTMENT COMPANIES ON WARRANTS	Par. 4: Investment in Warrants is allowed by the CMC under the following conditions: (a) provision of all information for new issues to the CMC, (b) the investment must not exceed the 5% of the size of the issue by the mutual funds, the 5% of own funds and 5% of the issues, (c) the Mutual Funds and the Portfolio Investment Companies are not obliged to inform the CMC for change in positions, (d) Warrants must be mentioned to public information booklets of the Mutual Funds Management Firms, (e) the CMC may request additional information.
1 17	121/97	MODIFICATION OF MINISTERIAL DECISION 67722/10.11.94 FOR THE REVISION OF THE RIGHTS OF THE NEW MEMBER LISTING IN THE ASE	Par. 7: The previous decision is canceled, whilst the 'fee for new listing in the ASE is 30 million GDR, regardless of the amount of equity capital.

APPENDIX C.

SUPERVISED LEGAL ENTITIES

The Competence of the CMC Comprises the Supervision of the Following Legal Entities:

- *The Athens Stock Exchange*
- *The Salonica Stock Exchange Center*
- *The Central Securities Depository*
- *The Athens Derivatives Exchange*
- *The Derivatives Clearing House*
- *The Supplementary Fund or Settlement Account (it is not a legal entity but a Fund)*
- *The Athens Stock Exchange Members Guarantee Fund (which is a legal entity)*
- *Listed companies in the Athens Stock Exchange*
- *Brokerage Firms*
- *Companies Providing Investment Services*
- *Mutual Funds (or Open-end Funds)*
- *Portfolio Investment Companies (Closed-end Funds)*
- *Firms for Reception and Transmission of Orders in Transferable Securities*

APPENDIX D.

Members of Staff

i) Legal Department

E. Nissireos, Director
D. Avgitidis
E. Mattheou
M. Mersinis
S. Danaka

ii) Administration and Accounting Department

A. Fokas, Director
C. Efthimiou
P. Fokas
A. Kassotaki
A. Kastrinelli
V. Krouskou
M. Marouli
L. Oikonomou
T. Polychronidou
N. Theodoropoulou
St. Tsoukalidou

iii) Department of Supervision and Audit of Stock Exchange and of Companies

A. Vichou, Director
A. Bitsakou
M. Diamantopoulou
G. Karayannis
St. Mayannis
St. Papageorgiou
A. Sakali
A. Stavrou
V. Sparakis
S. Varvaris

iv) Department of Studies, Monitoring of Capital Market and International Relations

C. Syriopoulos, Director
E. Apostolidou
X. Avlonitis
A. Drista
G. Gotsis
D. Marinos
H. Mertzanis
L. Sioutis

APPENDIX E.

CMC Activities With Respect to Institutional Investors.

APPROVAL OF NEW MUTUAL FUNDS	APPROVAL OF MODIFICATION OF MUTUAL FUNDS MANAGEMENT FIRMS' CONSTITUTIONAL DOCUMENTS		APPROVALS OF NEW MEMBERS IN THE BOARD OF DIRECTORS OF MUTUAL FUNDS MANAGEMENT FIRMS.	APPROVALS OF NEW MEMBERS IN THE BOARD OF DIRECTORS OF PORTFOLIO INVESTMENT COMPANIES
<i>Athens Bond International</i>	GENERAL	PIRAEUS	HANWA	NATIONAL
<i>Alpha Euro Bonds Foreign</i>	DORIAN	ALPHA	HAMBROS	DEVELOPMENT INVESTMENTS
<i>Alpha Euro Equity Foreign</i>	IONIAN	EUROPEAN CREDIT	MIDLAND	HELLINIKI
<i>Alpha Euro Money Market Foreign</i>	ETBA-NATWEST	MACEDONIAN-THRACE	MORTGAGE	MEDITERRANEAN
<i>Allianz Mixed Foreign Unit Linked</i>	MORTGAGE	HAMBROS	IONIAN	INTERINVEST
<i>Barclays Equity Domestic</i>	ERGO	HANWA	ATE	
<i>General Mixed Domestic Saving & Pension Fund</i>	ASPIS	NATIONALE NEDER	EGNATIA	
<i>General Euro Bond International</i>	EGNATIA	ALLIANZ		
<i>General Mixed Capital Domestic</i>	CHIOS	CITI		
<i>Delphi Mixed Domestic</i>	INTERNATIONAL	ABN-AMRO	TRANSFER OF SHARES OF MUTUAL FUNDS MANAGEMENT FIRMS	APPROVAL OF CONSTIT. DOCS OF PORTFOLIO INVESTMENT COMPANIES
<i>Delos Collective Mixed Domestic</i>	ATE	HELVETIA	HAMBROS	PIRAEUS
<i>Delos Equity Linked 98 Money market Domestic</i>	ALICO	INTERNATIONAL	INTERTRUST	ORION
<i>European Credit Money Market Domestic</i>	MIDLAND	KOSMOS	GENERAL	ERGO
<i>ETBA Natwest Bonds Foreign</i>				EOLIAN
<i>ETBA Natwest Money Market Domestic</i>				
<i>Kosmos Global Balanced Mixed Foreign</i>				
<i>N/N Information Technology Fund Special Type Foreign</i>	APPROVAL OF CONST. DOCS OF MUTUAL FUNDS MANAGEMENT FIRMS		RECALL OF LICENSE OF MUTUAL FUNDS	APPROVAL OF EUROPEAN MUTUAL FUNDS
	MACEDONIAN-THRACE	MORTGAGE	BETA DOMESTIC	CREDIT LYONNAIS Lake intertrust
	NATIONAL-TEMPLETON	CHIOS	PIRAEUS	GOLDMAN SACHS (XIOSBANK)
	ABN-AMRO	KOSMOS-SOGEN		COMMERCIAL UNION Privilege Portfolio
				SWISSCA (COMMERCIAL BANK)
				CITI SELECT (CITIBANK)

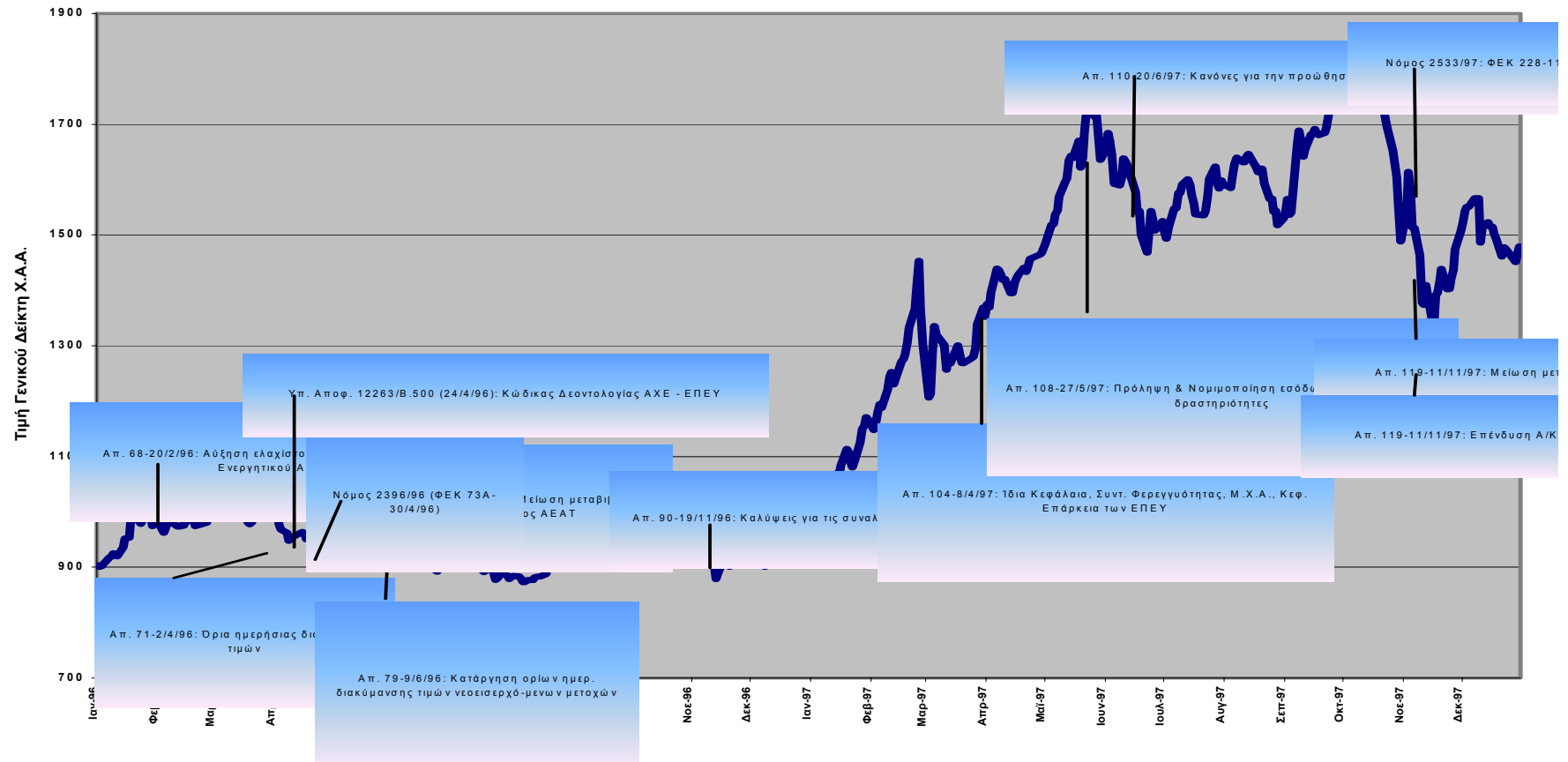
APPENDIX F.

CMC Activities With Respect to the Brokerage Firms and the Companies Providing Investment Services

<i>name</i>	<i>Granting of license</i>	<i>Extension of license from b.f. to i.s.p.f.</i>	<i>approval of subsidiaries, repr/ntative offices</i>	<i>Increase inshare capital</i>	<i>Modification of articles of association</i>	<i>transfer of shares</i>	<i>replacement of B.o.D.. members</i>
<i>ABN AMRO ΑΕΙΑΣ Χ.Α.Ε.</i>		✓			✓		✓
<i>AXON SEC. SA.</i>			✓			✓	✓
<i>CAPITAL SEC. SA.</i>				✓		✓	✓
<i>DF (KANARIS) SEC. SA.</i>					✓		
<i>EUROSEC SEC. SA.</i>			✓				✓
<i>EUROTRUST SEC. SA.</i>						✓	
<i>METROLIFE SEC SA.</i>			✓				✓
<i>NUNTIUS SEC. SA.</i>							✓
<i>AAGIS SEC. SA.</i>				✓		✓	
<i>ABAX SEC SA.</i>				✓			
<i>AGRICULTUTRAL SEC. SA.</i>							✓
<i>ALKI SEC SA.</i>			✓				✓
<i>ALFAX SEC SA.</i>		✓	✓		✓		
<i>ATLAS SEC. SA</i>			✓				✓
<i>BETA SEC. SA.</i>			✓				
<i>VOILIS SEC SA.</i>			✓				
<i>EGNATIA SEC. SA.</i>							✓
<i>ETHNIKI SEC. SA</i>		✓			✓	✓	✓
<i>ELLINIKH SEC. SA</i>			✓		✓		✓
<i>EMPORIKI SEC. SA</i>							✓
<i>ERGO SEC. SA.</i>				✓			
<i>IONIAN SEC. SA</i>	✓						
<i>KAPPA SEC. SA</i>							✓
<i>KARAMANOV SEC. SA.</i>							✓
<i>KERDOOS ERMIS SEC. SA</i>			✓				
<i>KONTALEXIS SEC. SA</i>	✓						
<i>KYKLOS SEC. SA.</i>		✓	✓		✓		
<i>KIRANIS SEC. SA.</i>						✓	
<i>LAVRENTAKIS SEC. SA</i>				✓			
<i>MACEDONIAN-THRACE SEC SA</i>		✓			✓		
<i>Π. & Κ. SEC. SA</i>		✓	✓	✓			✓
<i>PERVANAS SEC SA.</i>						✓	
<i>PEFGASSOS SEC SA</i>						✓	✓
<i>PORTALAKIS SEC SA</i>			✓				
<i>SARRIS SEC SA</i>							✓
<i>SARROS SEC. SA</i>			✓				
<i>SIGMA SEC SA</i>		✓		✓		✓	✓
<i>SOTIRIADIS SEC SA</i>				✓			✓
<i>TELESIS SEC SA</i>		✓					✓
<i>CHRISOHOIDIS SEC SA</i>				✓			
<i>ACTIVE A.E.</i>				✓			
<i>ALPHA FINANCE A.E.</i>	✓						
<i>ALPHA TRUST A.E.</i>						✓	✓
<i>BCV A.E.</i>	✓						
<i>AKROPOLIS SEC SA</i>	✓						
<i>BORIOELLADITIKI SEC SA</i>	✓					✓	✓
<i>GENESIS SEC SA</i>	✓						
<i>EPENDITIKI KAVALAS SEC SA</i>	✓		✓				
<i>LOGIKI SEC SA</i>	✓						

APPENDIX G.

The CMC's Decision Rules and the ASE General Index, 1997



STATISTICAL TABLES

TABLE I

New Issues by Type of Market and Type of Offering, 1996-97

α/α	Name	Market	Date of Listing	Share Capital after the Introd (thous GDR)	Number of listed Shares	New Listed Shares in the ASE		Share Dis position Price (GDR)	Raised Capital (thous GDR)
						Public Offering	Private Placement		
1996									
1	TASOGLOU	M	07-03-96	750.000	6.000.000	1.292.400	64.600	1.100	1.421.640
2	ATEMKE	M	04-04-96	572.500	5.725.000	1.334.380	66.720	1.800	2.401.884
3	VEPAL)	M	10-06-96	516.381	4.034.232	810.000		700	567.000
4	NAFPAKTOS TEXT	M	08-07-96	1.918.350	9.591.752	1.936.400		950	1.839.580
5	PAPELLINAS .	M	24-07-96	2.042.000	5.105.000	1.055.000	50.000	1.450	1.529.750
6	VECTOR)	M	27-12-96	357.433	2.245.320	655.840	0	1.300	852.592
7	RIOPESCA	P	08-01-96	478.140	4.781.400	803.400	40.000	1.200	964.080
8	PEMEK DRUGS	P	11-01-96	539.132	5.391.320	792.320	39.000	1.200	950.784
9	GENER	P	18-03-96	575.000	5.750.000	750.000		2.100	1.575.000
10	ELLATEX	P	19-3-96	779.013	3.493.330	800.000		1.250	1.000.000
11	KOUMBAS	P	21-3-96	146.205	974.700	266.700		1.500	400.050
12	RADIO-KORASIDIS	P	26-3-96	249.024	2.490.240	363.640		1.100	400.004
13	FLEXOPACK	P	02-4-96	750.001	3.000.006	506.390	25.300	1.200	607.668
14	POULIADIS	P	03-7-96	575.000	5.750.000	750.000		1.600	1.200.000
15	IMBERIO	P	19-8-96	537.600	2.150.400	286.400		1.900	544.160
16	VERNIKOS.	P	24-9-96	371.500	1.486.000	286.000		1.500	429.000
17	KARDASILARIS	P	09-10-96	302.370	3.023.700	395.000	19.700	1.200	474.000
18	IATRIKO ATHINON	P	09-12-96	232.000	2.320.000	302.610	14.390	1.900	574.959
19	ENDISI	P	24-12-96	570.000	2.850.000	600.000		750	450.000
20	PAIRIS	P	27-12.-96	471,674	410.160	410.60		1.150	471,684
	Total 1996 (excluding OTE)			12.261.649	76.162.400	13.986.480	319.710		18.182.151
21	GREEK TELECOMM ORGAN.	M	19-4-96	316.499.148	421.998.864	20.000.000	4.014.384	4.000	80.000.002
	GENERAL TOTAL 1996			328.760.797	498.161.264	33.986.480	4.334.094		98.182.153
1997									
1	EUROPEAN CREDIT	M	29-4-97	811.429	3.512.680	876.620		2.200	1.928.564
		M				1.405.070	106.930	1.750	187.128
2	XIOS BANK	M	26-5-97	7.962.000	7.962.000	1.592.450	79.610	2.650	4.430.959
3	SFAKIANAKIS	M	18-6-97	3.037.500	10.125.000	2.025.000	100.000	2.000	4.250.000
4	ALOYMYL – MYLONAS	M	16-12-97	1.223.125	12.231.250	2.446.250		1.100	2.690.875
5	AAKO HELLAS	P	10-2-97	961.715	3.035.360	392.010	19.600	1.250	514.513
6	BABYLAND	P	19-6-97	1.200.000	6.000.000	810.000		850	688.500
7	ETANE	P	08-7-97	242.000	2.420.000	400.000	20.000	1.850	777.000
8	AGR. OIKS. SPIROU	P	28-7-97	575.000	5.750.000	750.000		1.350	1.012.500
9	EPIFANIA	P	19-8-97	236.750	2.367.500	350.000	17.500	1.600	588.000
10	SYSWARE	P	27-8-97	230.000	2.300.000	300.000		1.900	570.000
11	FOLLIE – FOLLIE	P	29-10-97	405.500	4.055.000	529.000	26.000	2.600	1.443.000
12	GALLIS	P	03-12-97	532.000	2.660.000	660.000		650	429.000
13	SEAFARM IONIAN SA	P	10-12-97	460.000	2.875.000	375.000		1.550	581.250
14	MYTILINAIOS (change of market)	P	P9-9-97			880.800		3.300	2.906.640
15	INTERTECH (change of mark)	M	19-1-97			444.000		2.900	1.287.600
16	ALTEC (change of market)	M				1.065.000		6.100	6.496.500
	Total (excluding OTE)			17.877.019	66.698.860	14.003.060			30.782.029
17	OTE.	M	11-6-97	316.499.148	421.998.864	29.671.000		6.400	189.894.400
	GENERAL TOTAL 1997			334.376.167	488.697.724	43.674.060	262.710		220.676.429

Sources: ASE, CMC.

TABLE II.
Increases in Share Capital of Listed Companies 1997

<i>A/</i> <i>A</i>	<i>Name</i>	<i>Market</i>	<i>Date of Approval</i>	<i>Raised Capital</i>	
				<i>(million GDR)</i>	
				<i>Amount</i>	<i>% Change.</i>
<i>1</i>	<i>Leventeris SA</i>	M	16/01/1997	390,5	0,078
<i>2</i>	<i>Ergo Bank</i>	M	16/01/1997	26.544,0	5,280
<i>3</i>	<i>Metrolife Emporiki</i>	P	30/01/1997	2.452,6	0,488
<i>4</i>	<i>Elval SA</i>	M	-	2.502,7	0,498
<i>5</i>	<i>Kekrops SA</i>	M	06/02/1997	419,2	0,083
<i>6</i>	<i>Euromedica SA</i>	P	16/01/1997	1.242,0	0,247
<i>7</i>	<i>Loulis Mills SA</i>	M	20/02/1997	1.589,8	0,316
<i>8</i>	<i>Alpha Credit Bank</i>	M	27/03/1997	72.600,0	14,441
<i>9</i>	<i>Kreka SA</i>	P	17/04/1997	885,1	0,176
<i>10</i>	<i>Thessaliki SA</i>	M	23/04/1997	605,0	0,120
<i>11</i>	<i>Sarntis</i>	M	08/05/1997	3.663,0	0,729
<i>12</i>	<i>Attiki Businesses</i>	M	23/04/1997	8.146,8	1,621
<i>13</i>	<i>Mechaniki SA</i>	M	17/04/1997	11.215,5	2,231
<i>14</i>	<i>Elliniki Technodomiki SA</i>	M	08/05/1997	7.700,0	1,532
<i>15</i>	<i>EEEX SA</i>	M	23/04/1997	6.412,5	1,276
<i>16</i>	<i>Avax SA</i>	M	22/05/1997	2.064,0	0,411
<i>17</i>	<i>Delta Informatics SA</i>	M	05/06/1997	1.500,0	0,298
<i>18</i>	<i>Vector SA</i>	M	05/06/1997	4.380,9	0,871
<i>19</i>	<i>Gnomon SA</i>	M	05/06/1997	1.440,0	0,286
<i>20</i>	<i>Piraeus Bank</i>	M	22/05/1997	15.800,0	3,143
<i>21</i>	<i>OTE SA</i>	M	03/07/1997	189.899,5	37,774
<i>22</i>	<i>Singular SA</i>	P	05/06/1997	549,0	0,109
<i>23</i>	<i>Katseli SA</i>	M	12/06/1997	513,2	0,102
<i>24</i>	<i>Ergo Investments SA</i>	M	08/05/1997	7.478,6	1,488
<i>25</i>	<i>Sidenor SA</i>	M	03/07/1997	5.055,2	1,006
<i>26</i>	<i>Lavipharm SA</i>	M	03/07/1997	6.463,8	1,286
<i>27</i>	<i>TEV SA</i>	M	10/07/1997	3.036,0	0,604
<i>28</i>	<i>Arcadia Metallourgies SA</i>	M	10/07/1997	2.023,9	0,403
<i>29</i>	<i>Themeliodomi SA</i>	M	22/07/1997	3.167,2	0,630
<i>30</i>	<i>Elval SA</i>	M	10/07/1997	3.042,7	0,605
<i>31</i>	<i>Kambas SA</i>	M	04/09/1997	7.234,9	1,439
<i>32</i>	<i>Halkida Chement SA</i>	M	18/09/1997	1.500,0	0,298
<i>33</i>	<i>Bank Of Attica</i>	M	28/08/1997	8.542,3	1,699
<i>34</i>	<i>Chipita SA</i>	M	18/09/1997	7.148,7	1,422
<i>35</i>	<i>Inform-Lykos SA</i>	M	18/09/1997	907,2	0,180
<i>36</i>	<i>Ideal SA</i>	M	25/09/1997	404,4	0,080
<i>37</i>	<i>National Bank Of Greece</i>	M	06/10/1997	80.369,8	15,987
<i>38</i>	<i>Alco Hellas SA</i>	M	23/10/1997	901,6	0,179
<i>39</i>	<i>Piraeus Investments SA</i>	M	23/10/1997	2.928,0	0,582
	TOTAL			502.719,9	

Sources: ASE. CMC

TABLE III.

Assets and Market Share of Mutual Funds by Type, 1995-97

<i>Name</i>	<i>Number of Mutual Funds</i>			<i>Market Share / Total Assets</i>			<i>Average Percentage Return</i>				
	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>31/12/1997</i>	<i>31/12/1996</i>	<i>31/12/1995</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>3-years</i>	<i>5-years</i>
<i>BONDS FUNDS DOMESTIC</i>	40	37	27	7,30	35,85	39,49	12,01	11,74	17,01	14,31	17,45
<i>BONDS FUNDS FOREIGN</i>	18	18	17	0,77	1,08	2,25	11,65	4,64	11,16	10,62	11,60
<i>BONDS FUNDS INTERNATIONAL</i>	6	5	4	0,09	0,11	0,22	11,85	-	-	8,97	8,21
<i>TOTAL</i>	<i>64</i>	<i>60</i>	<i>48</i>	<i>28,16</i>	<i>37,04</i>	<i>41,94</i>					
<i>MONEY MARKET FUNDS DOMESTIC</i>	31	30	18	59,38	58,93	50,83	11,62	11,01	16,32		
<i>MONEY MARKET FUNDS FOREIGN</i>	2	4	2	0,05	0,07	0,05	2,30	4,90	4,20	14,79	-
<i>MONEY MARKET FUNDS INTERNATIONAL</i>	3	1	1	0,68	0,35	0,44	23,15	-	-	-	-
<i>TOTAL</i>	<i>36</i>	<i>35</i>	<i>21</i>	<i>60,11</i>	<i>59,35</i>	<i>51,32</i>					
<i>EQUITY FUNDS DOMESTIC</i>	29	26	22	3,16	1,95	3,61	46,50	-4,33	8,07	16,46	19,84
<i>EQUITY FUNDS FOREIGN</i>	1	2	2	0,04	0,05	0,11	23,53	13,26	11,10	16,80	15,09
<i>EQUITY FUNDS INTERNATIONAL</i>	2	1	0	0,03	0,01	0,00	34,72	-	-	-	-
<i>TOTAL</i>	<i>32</i>	<i>29</i>	<i>24</i>	<i>3,23</i>	<i>2,01</i>	<i>3,72</i>					
<i>MIXED FUNDS DOMESTIC</i>	19	14	13	8,04	1,07	1,85	29,96	4,01	8,30	15,85	17,49
<i>MIXED FUNDS FOREIGN</i>	3	6	6	0,05	0,28	0,67	22,33	13,73	12,45	15,20	12,82
<i>MIXED FUNDS INTERNATIONAL</i>	4	2	2	0,35	0,18	0,30	20,76	-	-	14,39	15,10
<i>TOTAL</i>	<i>26</i>	<i>22</i>	<i>21</i>	<i>8,44</i>	<i>1,53</i>	<i>2,83</i>					
<i>SPECIAL TYPE FUNDS DOMESTIC</i>	1	2	1	0,03	0,07	0,19	28,94	-	-	-	-
<i>SPECIAL TYPE FUNDS FOREIGN</i>	1	-	-	0,03	-	-	-	-	-	-	-
<i>SPECIAL TYPE FUNDS INTERNATIONAL</i>	-	-	-	-	-	-	-	-	-	-	-
<i>TOTAL</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>0,06</i>	<i>0,07</i>	<i>0,19</i>	<i>28,94</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>GRAND TOTAL</i>	<i>160</i>	<i>148</i>	<i>115</i>	<i>100,00</i>	<i>100,00</i>	<i>100,00</i>					

Source: Alpha Trust Investment Services SA.

TABLE IV.
Assets of Mutual Funds by Type, 1995-97

	<i>Assets 31.12.97 (GDR)</i>	<i>%change 96-97</i>	<i>Assets 31.12.96 (GDR)</i>	<i>% change 95-96</i>	<i>Assets 31.12.95 (GDR)</i>	<i>% Change. 94-95</i>	<i>Assets 31.12.94 (GDR)</i>
BONDS FUNDS DOMESTIC	2.000.317.827.428	44,00	1.389.095.816.078	43,45	968.381.267.581	45,22	666.821.336.825
BONDS FUNDS FOREIGN	56.312.877.635	34,73	41.797.048.570	-24,20	55.138.102.865	-30,32	79.133.484.020
BONDS FUNDS INT'L	6.624.743.726	57,87	4.196.225.541	-20,52	5.279.897.885	-12,31	6.020.879.197
TOTAL	<i>2.063.255.448.789</i>	<i>43,77</i>	<i>1.435.089.090.189</i>	<i>39,40</i>	<i>1.028.799.268.331</i>	<i>36,81</i>	<i>751.975.700.042</i>
MONEY MARKET FUNDS DOMEST	4.351.109.966.757	90,57	2.283.215.711.343	83,12	1.246.869.144.573	216,46	394.002.384.076
MONEY MARKET FUNDS FOREIGN	3.980.752.822	52,93	2.602.980.812	108,16	1.250.462.044		
MONEY MARKET FUNDS INT'L	49.532.012.048	267,73	13.469.516.317	24,60	10.810.378.754	111,65	5.107.692.247
TOTAL	<i>4.404.622.731.627</i>	<i>91,56</i>	<i>2.299.288.208.472</i>	<i>82,64</i>	<i>1.258.929.985.371</i>	<i>215,43</i>	<i>399.110.076.323</i>
EQUITY FUNDS DOMESTIC	231.702.049.473	207,11	75.447.062.880	-14,84	88.593.514.903	-4,60	92.869.314.145
EQUITY FUNDS FOREIGN	2.762.996.620	32,69	2.082.263.421	-21,07	2.637.952.398	-20,23	3.306.860.514
EQUITY FUNDS INTERNATIONAL	2.285.371.792	434,45	427.608.214	-	-	-	-
TOTAL	<i>236.750.417.885</i>	<i>203,69</i>	<i>77.956.934.515</i>	<i>-14,55</i>	<i>91.231.467.301</i>	<i>-5,14</i>	<i>96.176.174.659</i>
MIXED FUNDS DOMESTIC	589.433.595.273	1327,10	41.302.983.697	-9,13	45.450.681.890	-19,84	56.699.875.748
MIXED FUNDS FOREIGN	3.473.286.898	-68,30	10.957.111.084	-33,34	16.436.880.661	-48,18	31.721.741.207
MIXED FUNDS INTERNATIONAL	25.681.782.703	276,24	6.825.881.827	-8,55	7.464.033.236	-11,53	8.436.367.411
TOTAL	<i>618.588.664.874</i>	<i>946,93</i>	<i>59.085.976.608</i>	<i>-14,80</i>	<i>69.351.595.787</i>	<i>-28,40</i>	<i>96.857.984.366</i>
SPECIAL TYPE FUNDS DOMESTIC	1.973.498.512	-31,26	2.870.837.290	-39,91	4.777.427.510	-	-
SPECIAL TYPE FUNDS FOREIGN	1.902.029.840	-	-	-	-	-	-
SPECIAL TYPE FUNDS INT'L	-	-	-	-	-	-	-
TOTAL	<i>3.875.528.352</i>	<i>35,00</i>	<i>2.870.837.290</i>	<i>-39,91</i>	<i>4.777.427.510</i>	<i>-</i>	<i>-</i>
GRAND TOTAL	<i>7.327.092.791.527</i>	<i>89,12</i>	<i>3.874.291.047.074</i>	<i>57,94</i>	<i>2.453.089.744.300</i>	<i>82,51</i>	<i>1.344.119.935.390</i>
TOTAL OF M.F. DOMESTIC.	7.174.536.937.443	89,21	3.791.932.411.288	61,08	2.354.072.036.457	94,49	-
TOTAL OF M.F. FOREIGN	68.431.943.815	19,14	57.439.403.887	-23,88	75.463.397.968	-33,90	-
TOTAL OF M.F. INT'L	84.123.910.269	237,59	24.919.231.899	5,79	-	20,39	-
GRAND TOTAL	<i>7.327.092.791.527</i>	<i>89,12</i>	<i>3.874.291.047.074</i>	<i>57,94</i>	<i>-</i>	<i>82,51</i>	<i>-</i>

Notes: The 1997 data for some companies is not yet in its final form

Dividends are calculated on the basis of closing prices of 31/12/1996. For those companies that have realized dividend policy, the dividend returns have been calculated on the basis of the corresponding adjusted prices

Source: Union of Institutional Investors.

TABLE V.
Portfolio Investment Companies

<i>A/α</i>	<i>Name</i>	<i>Date of Listing in the ASE</i>	<i>Share Price</i>	<i>Dividend Return (%)*</i>	<i>Capitalization Value</i>	<i>Net Value Premium</i>		<i>Portfolio Composition (%)</i>					
						<i>Assets</i>	<i>Discount (%)</i>	<i>Equity</i>		<i>Fixed-Income Tiles</i>		<i>Cash</i>	
								<i>Domest</i>	<i>Foreign</i>	<i>Domest</i>	<i>Foreign</i>	<i>Dom</i>	<i>Foreign</i>
<i>1</i>	<i>ALPHA INVESTMENTS SA</i>	19.11.1984	4.950	11.9	50.250	44.294	11.8	70.3	11.3	15.1	-	2.7	0.5
	<i>ALPHA INVESTMENTS SA)</i>		5.050	11.6			14.0	-	-	-	-	-	-
<i>2</i>	<i>ELLINIKI ET. PORTFOLIO INVESTM</i>	19.01.1973	2.790	14.7	41.065	36.085	13.1	73.3	11.7	9.1	3.5	1.6	0.8
	<i>ELLINIKI ET. PORTFOLIO INVESTM</i>		2.810	14.2			13.9	-	-	-	-	-	-
<i>3</i>	<i>ERGO INVESTMENT SA</i>	11.11.1977	655	14.2	21.615	24.675	-12.4	92.0	4.9	1.2	-	0.2	1.8
<i>4</i>	<i>PROODOS SA</i>	30.07.1990	2.850	9.5	17.670	21.204	-16.7	71.9	-	2.1	-	26	-
<i>5</i>	<i>ETHNIKI ET. PORTFOLIO INVESTM</i>	19.06.1981	2.150	10.8	15.209	13.988	8.7	68.8	5.9	17.8	4.3	1.2	2.0
<i>6</i>	<i>PIRAEUS INVESTMENTS</i>	06.12.1990	1.440	15.9	8.784	8.236	6.7	62.1	15.1	0.3	-	21.7	0.8
<i>7</i>	<i>IONIAN INVESTMENTS</i>	02.08.1993	900	6.8	3.150	3.285	-4.1	52.2	14.4	16.9	-	14.7	1.8
<i>8</i>	<i>EOLIAN PORTFOLIO INVESTMENT</i>	09.08.1993	1.250	8.7	3.105	3.068	1.2	68.6	3.5	6.8	1.1	19.9	0.1
<i>9</i>	<i>DEVELOPMENT INVESTMENTS SA</i>	12.08.1982	1.140	11.8	3.067	2.960	2.5	74.1	8.8	12.5	1.1	1.4	2.1
	<i>DEVELOPMENT INVESTMENT SA</i>		1.165	11.7			4.7	-	-	-	-	-	-
<i>10</i>	<i>COMMERCIAL INVESTMENTS</i>	17.08.1993	740		1.665	1.732	-3.9	91.5	2.5	-	-	5.9	-
<i>11</i>	<i>ORION PORTFOLIO INVESTMENT</i>	19.12.1994	1.070		1.605	1.867	-14.0	32.9	-	53.7	-	13.1	0.2
<i>12</i>	<i>DIAS PORTFOLIO INVESTMENTS</i>	27.07.1992	763		1.597	1.655	-3.5	76.0	-	15.7	-	8.3	-
<i>13</i>	<i>INTERINVEST PORTF INVESTMENT</i>	15.01.1992	1.025	4.3	1.388	1.366	1.6	58.4	19.1	16	-	2.2	4.3
<i>14</i>	<i>ASPIS INVESTMENT</i>	07.04.1995	1.350		1.350	1.328	1.7	80.4	1.5	7.9	-	10.1	-
<i>15</i>	<i>EXELIXI PORTF INVESTMENT</i>	06.05.1992	1.050	0	1.240	1.327	-6.5	80.5	-	11.5	-	7.0	1.0
<i>16</i>	<i>MEDITERRANEAN PORTF INVESTM</i>	18.08.1993	1.145		718	748	-4.0	72.1	-	2.7	-	25.2	-
	TOTAL				<i>173.477</i>	<i>167.818</i>	<i>3.4</i>	<i>73.6</i>	<i>8.1</i>	<i>9.5</i>	<i>1.1</i>	<i>6.8</i>	<i>0.9</i>

Notes: The 1997 data for some companies is not in its final form.

Dividends are calculated on the basis of closing prices of 31/12/1996. For those companies that have realized dividend policy, the dividend returns have been calculated on the basis of the corresponding adjusted prices

Source: Union of Institutional Investors.

