HELLENIC CAPITAL MARKET COMMISSION

ANNUAL REPORT 2010

ATHENS 2011

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A NOTE FROM THE CHAIRMAN

In 2010, the world economy focused on the effort to recover from the financial crisis of the 2008-2009 period, while Europe was primarily concerned with the sovereign debt crisis and the actions required for containing its impact.

The confidence crisis that broke out for different reasons in each country, first hitting Greece and then Ireland and Portugal, led to repeated downgrades of Greece's credit rating and caused a steep rise of borrowing costs. In May 2010, the European Commission, the European Central Bank and the International Monetary Fund agreed to extend a €110 billion fiscal assistance facility, conditional on the implementation of austere fiscal adjustment measures. The crisis posed an imminent threat to European financial stability, as well as to the single currency's credibility, and led to a wide range of European initiatives for the establishment of new fiscal rationalization and management institutions, which have, nonetheless, not yet taken any final form.

The economic crisis had adverse effects on all business sectors, a fact that was manifest in listed company performance. The deterioration of corporate performance and the reduction of foreign investor placements in Greece had a negative impact on the Greek capital market. In 2010, the General Index of the Athens Exchange fell by 35.6%, while issuing and trading activity was also *substantially reduced. By the end of the year, the total market capitalization of ASE-listed companies accounted for almost a mere ¼ of the country's GDP. Similarly, the authorized investment firms saw their income shrink at an unprecedented rate.*

During the past year, the Hellenic Capital Market Commission focused on active supervision, promptly drawing the market participants' attention to potential problems and clarifying the measures that had to be taken for ensuring the smooth operation of the market and safeguarding the investors' interests. Special attention was paid to ensuring a high degree of transparency, especially in regard to listed company activities and performance, so that, given the current circumstances, investors could obtain complete and timely information about the companies' financial condition. In 2010, the Hellenic Capital Market Commission continued to closely monitor the operation of regulated markets, performing more audits in close cooperation with its overseas counterparts. For instance, 91 requests for assistance were made to foreign authorities, as compared to 13 in 2009.

In 2010, there was a flurry of activity among supervised investment firms and financial intermediation firms, which consider focusing their future business model on activities that offer them a comparative advantage, thus boosting their efficiency and, of course, reducing their operating costs. In this context, there was an increase in the number of tied agents and a decrease in financial intermediation firms, while an increase in the number of investment firms not authorized to hold client assets is also anticipated. The Hellenic Capital Market Commission monitors the behavior of supervised companies and, whenever possible, assists them adapt their operations to the changing market conditions, safeguarding, at the same time, investor interests.

It is a well-known fact that the Hellenic Capital Market Commission is directly funded by the entities it supervises in such a way that the fees it collects are covering its operating costs. The fiscal crisis also had an impact on the Commission's revenues, which in 2010 dropped by 11.5% as compared to 2009. During the same period, though, the HCMC reduced its expenses by 17.2% thus containing the need to impose a further burden on the market through a new rise in fees.

The international financial crisis of 2008 triggered major changes in Europe's financial supervisory architecture through the creation of three new supervisory authorities (EBA, ESMA, EIOPA), which were established in 2010 and have already launched operations since 01.01.11. The crisis also instigated the extension of the regulatory framework for the licensing and supervision of Credit Rating Agencies, the regulation of Short Selling, the regulation of OTC Derivatives and Central Counterparties, as well as to the amendment and completion of the Markets in Financial Instruments Directive (MiFID) and the Market Abuse Directive (MAD). The Capital Market Commission is actively involved in the formation of the new Community framework through its participation in the relevant committees, seeking to ensure that the idiosyncrasies of small European markets are properly taken into account.

The capital market is the mirror of the real economy and cannot move independently of it. However, despite the difficulties faced by listed companies in general, and the financial sector in particular, the market mechanisms continued to function smoothly even with reduced valuations and transaction levels, while the companies seeking market finance raised adequate funds.

Anastasios Th. Gabrielides

PART ONE

THE HELLENIC CAPITAL MARKET COMMISSION

OBJECTIVES AND TASKS

The Hellenic Capital Market Commission is responsible for monitoring compliance with the provisions of capital market law. The Commission is a public entity, whose exclusive task is to protect the public interest, enjoying operational and administrative independence. The Commission's operations do not burden the state budget, and its resources originate from fees and contributions paid by the supervised entities. The Commission's annual budget is drafted by its Board of Directors and approved by the Minister of Finance. The members of the Board of the Commission exercise their duties under conditions of total personal and operational independence, are only bound by the law and their conscience, and do not represent the bodies that nominated them. The Commission submits its annual report to the Speaker of the Hellenic Parliament and the Minister of Finance. The Chairman of the Commission is summoned at least twice a year by the competent Commission of the Parliament, to provide information on capital market issues. The objectives of the HCMC are to ensure the integrity of the market, to mitigate systemic risks, and to protect investors by increasing transparency.

The capital market entities supervised by the HCMC include brokerage firms, investment firms, mutual fund management firms, portfolio investment companies, real estate investment trusts, and financial intermediation firms. Moreover, the HCMC oversees the compliance of ASE-listed companies with capital market legislation, concerning legitimacy issues related to investor protection. The members of the boards of directors and the executive managers of the aforementioned entities must comply with the rules and regulations set by the Commission. Entities subject to supervision by the HCMC also include regulated markets, clearing houses, and the investor indemnity scheme (the Athens Exchange Members' Guarantee Fund). The Commission is responsible for approving the content of prospectuses, as far as the need of investors to obtain complete information during public offerings and the listing of securities in organized markets is concerned. The Commission is endowed with the authority to impose administrative sanctions (suspension and revocation of license, trading halts, imposition of fines) on any supervised legal and natural entity that violates capital market law.

Being a national regulator, the Commission concludes bilateral and multilateral agreements and memoranda of understanding with other countries' regulatory authorities for the exchange of confidential information, and co-operation on issues that fall under its competence. It is an active member of the European Securities and Markets Authority (ESMA), as well as of the International Organization of Securities Commissions (IOSCO).

BOARD OF DIRECTORS

The Board of Directors of the Hellenic Capital Market Commission consists of seven members: the Chairman, two Vice-Chairman (A and B) and four members, who are appointed by decision of the Minister of Finance. The appointment of the Chairman is subject to the approval of the competent committee of the Greek Parliament. Two members of the Board are selected from lists containing three candidates, which are prepared by the Bank of Greece and the Athens Exchange respectively. In 2010, the Board of Directors comprised the following members (MD 24282/B 1348, Gazette 231/2009).

Chairman:	*Mr. Anastassios Gabrielides*
First Vice-Chairman:	*Mr. George Hadjinikolaou*
Second Vice-Chairman:	*Mr. Xenofon Avlonitis*
Members:	*Messrs. Spyridon Kapralos, Panagiotis Kavouropoulos, Ioannis Gousios, and Panayotis Kommatas.*

On 07.09.10, Mrs. Marina Souyioultzi was appointed First Vice-Chairperson, replacing Mr. G. Hadjinikolaou who resigned (Ministerial Decision 40852/B 1895, Gazette 300/2010). On 11.11.10 Messrs. Socratis Lazaridis and Alexandros Hatzopoulos were appointed members of the Board (Ministerial Decision 51297/B 2111, Gazette 368/2010), replacing Messrs. Sp. Kapralos and P. Kommatas who resigned. Mr. Alexandros Hatzopoulos resigned on 20.12.10.

The Board of Directors of the Commission is this entity's supreme body, and is mainly entrusted with general policy-making, the introduction of rules and regulations, the granting and revoking of licenses, the imposition of sanctions, drafting the annual budget, the management of the Commission's operations and making decisions on personnel matters. The Board of Directors is convened by its Chairman and meets at least twice a month, provided that at least four of its members are present.

EXECUTIVE COMMITTEE

The Executive Committee consists of the Chairman and the two Vice-Chairmen and is entrusted with the execution of the decisions made by the Board of Directors. It is responsible for the Commission's daily management and the supervision of its operations. It is also responsible for the judicial representation of the Hellenic Capital Market Commission in front of Greek and foreign courts.

ORGANIZATION OF THE CAPITAL MARKET COMMISSION

The organization chart and the responsibilities of the departments of the HCMC are specified by Presidential Decree 65/2009 (Government Gazette 88/9.6.2009), as illustrated below:

FIGURE 1. The Organization Chart of the Hellenic Capital Market Commission

BOARD OF DIRECTORS			
First Vice-Chairman	***CHAIRMAN***		***SECOND VICE-CHAIRMAN***
MEMBERS			
PRESS OFFICE		***INTERNAL AUDIT OFFICE***	
GENERAL DIRECTOR			
SPECIAL ANTI-MONEY LAUNDERING UNIT		***THESALLONIKI REGIONAL OFFICE***	
DIRECTORATE OF CAPITAL MARKET INTERMEDIARIES		***DIRECTORATE OF LISTED COMPANIES***	
Department of Licensing of Investment Firms	Department of Licensing of Collective Investment Schemes	Public Offerings Department	Department of Continuous Information
Department of Supervision of Investment Firms	Department of Supervision of Collective Investment Schemes	Department of Periodic Information	Department of Supervision of Listed Companies
Department of Markets and Information Systems			
DIRECTORATE OF MARKETS SUPERVISION		***DIRECTORATE OF INTERNATIONAL RELATIONS***	
Department of Monitoring	Department of Transactions Auditing	Department of International Relations	Department of European Affairs
Department of Citizen Information			
DIRECTORATE OF RESEARCH, CERTIFICATION AND TRAINING		***DIRECTORATE OF ADMINISTRATION***	
Department of Research	Training Department	Department of Protocol	Department of Information Systems
		Human Resources Department	
DIRECTORATE OF ACCOUNTING		***DIRECTORATE OF LEGAL SERVICES***	
Accounting Department	Procurement Department		

PART TWO

MARKET DEVELOPMENTS

MACROECONOMIC DEVELOPMENTS

The Greek economy

In 2010 the global economy started to recover from the 2008-2009 recession, the deepest of the postwar era. This recovery did not include Greece, which, in contrast, faced a severe fiscal crisis and an economic downturn that in May 2010 led to its entry in a financial support and fiscal adjustment program that was specified by the Memorandum of Understanding signed between Greece and the European Commission, the European Central Bank and the International Monetary Fund. In this context, the Council of the European Union, the European Commission and the ECB granted Greece a loan of €110 billion, in exchange for strict fiscal and other measures aimed at supporting the Greek economy and dealing with the debt crisis. This initiative was taken as part of the effort to guarantee financial stability in the euro area, and set as its immediate target the drastic improvement of public finances, along with the gradual implementation of wide-ranging structural changes designed to enhance productivity growth, restore Greece's competitiveness, improve production conditions and, finally, boost the economy's long-term growth rate.

Owing to these developments, 2010 was a crucial year for the Greek economy, marked by the deterioration of the domestic macroeconomic environment, the decline of total demand for goods and services, the slowdown of economic activity and the rise of unemployment to 12.2%. Mainly as a result of the decrease in public consumption and fixed capital investments, GDP plummeted by an estimated 4.2%, as compared to an estimated growth rate of 1.7% for the euro area. In 2010 there was a major drop in imports (mainly goods imports), which in the first three quarters of the year were reduced by 13.1% year-on-year, while exports since the beginning of the year and till the end of September were 1.2% less than in the same period of the previous year, mainly as a result of a decrease in the exports of services. At the same time inflationary pressures were aggravated, highlighting the persistence of chronic distortions in many sectors of the economy, as well as the effects from the increases in VAT rates and other excise duties (see Table 1).

In 2010, Greece completed the largest fiscal adjustment ever, almost 6% of GDP. The state budget was burdened by a substantial increase in interest payments on Greece's accumulated debt, which ballooned in recent years. Interest payments on the central government's debt stood at 5.7% of GDP in 2010 as compared to 4.3% in 2007, while the public debt skyrocketed in 2010, to more than 140% of GDP.

Moreover, the substantial slowdown of economic activity intensified pressures on the financial position of non-financial businesses and households. Nonetheless, the persistence of low interest rates had a positive effect, as it reduced the possibility of default on existing debts.

The annual credit growth rate rose to 6.8% in September 2010, after a major slowdown in the previous year. Credit growth to the private sector continued to lose pace, while, in contrast, credit growth to the general government was strong, due to increased placements in Greek Government debt by local Financial Institutions. Money supply in the economy, based on Greece's contribution to the euro zone's fundamentals (M3) sustained a 10.7% year-on-year decrease in October 2010.

TABLE 1. Macroeconomic indicators of Greece, 2009-2010

Macroeconomic aggregates	2010	2009
Aggregate Demand and GDP (percent, y-o-y, constant prices)		
Gross Domestic Product	-4.2	-2.3
Private Consumption	-4.1	-1.8
Public Consumption	-9.0	7.6
Gross fixed capital formation	-14.4	-11.4
Domestic Demand	-8.0	-2.2
Exports of Goods & Services	-0.6[4]	-20.1
Imports of Goods and Services	-12[4]	-18.6
Production & Employment		
General Index of Industrial Production (% change during Jan-Nov)	-5.5	-10
Total employment (persons, % y-o-y change)	-2.8	-1.1
Labor productivity (persons, % y-o-y change)	-0.4	-0.8
Salaries per capita (percent, y-o-y)	-1.0	5.5
Real unit labor cost (constant prices 2000, y-o-y)	-3.2	3.9
Unemployment rate	12.5	9.5
Prices & Monetary Aggregates		
Consumer Price Index (% average annual change)	4.6	1.3
Euro Zone inflation rate (% average annual change)	1.5	0.3
Total credit expansion (percent)	6.8[3]	6.0[1]
Credit expansion to the private sector (percent, y-o-y)	1.2[3]	4.2[1]
Credit expansion to private enterprises (percent, y-o-y)	2.2[3]	5.2[1]
Credit expansion to individuals (percent)	0.1	3.1[1]
Credit expansion to the general government (percent)	34.3[3]	16.4[1]
10-year Treasury Bond Yield (percent, year average)	9.09%	5.2%
Public Finances (percent of GDP)		
Regular Budget Primary result	-4.2	-9.1
Net Lending/Borrowing of the General Government	-9.9	-14.3
General government debt	142.5[2]	126.8[2]
External Account		
Current account balance (27 EU member states)	-0.9	-1.0
Trade Balance (percent of GDP)	-13.1	-16.4
Current Account Balance (percent of GDP)	-10.6	-14

Sources: Ministry of Finance, 2011 Budget, Bank of Greece Reports and IOVE, European Economy (2009 data and 2010 estimates).

[1] November 2008-November 2009.

[2] General Government = Central Government + Local Authorities + Social Security Funds – Intragovernmental Debt

[3] January – Sept.2010

[4] European Commission estimates.

The International Economy

In 2010, the international economy showed mixed trends. There was a slowdown in activity and an increase of unemployment in the largest economies (with the exceptions of China and India). In order to deal with this crisis governments stimulus policy measures, which included liquidity-enhancing measures and state aid, with the aim of boosting demand, reducing unemployment and avoiding further economic slowdown. Moreover, following a pronounced recovery since late 2009, global trade growth started showing signs of weakness.

One of the most important developments of 2010 was the sovereign debt crisis in certain EU member states that erupted in May 2010, triggering major changes in the regime for the management of fiscal deficits, financial markets and, in general, economic crises, on both the European and global levels. The European Union, the European Central Bank and the International Monetary Fund were called to *play a major role in the management of debt crises and their inevitable cross-border spillover effects on the countries' real economies.*

The sovereign debt crises and the consequent recession affected each country in different ways and to differing degrees, depending on each country's exposure to risk, the size of its financial system and the dependence of its economy on exports. According to European Commission estimates, public deficits stabilized in 2010, albeit are expected to deteriorate in the coming years.

Central banks played a major role in regard to liquidity enhancement. From March 2009 and throughout the entire 2010 the European Central Bank reduced, and maintained, the euro lending rate at as low as 1.0%, enhancing the provision of liquidity to financial institutions. Moreover, other major central banks, such as the Bank of England and the US Federal Reserve, kept their base rates at the same low levels throughout 2010.

In 2010, economic growth in the European Union registered a slight increase, since, according to European Commission data, GDP growth in the EU-27 stood at 1.8%, as compared to a 4.2% drop in 2009, despite the European governments' intense efforts to boost household consumption and the preservation of relatively low interest rates. In the 16-member Euro zone, the economic growth rate was similar and stood at 1.7%, as compared to a 4.1% decrease in 2009. In its annual economic growth review, the European Commission notes that the GDP's severe contraction wiped out, on average, the benefits from four years of growth. For example, GDP growth in the UK and France stood at 1.8% and -1.6% respectively in 2010, as compared to -5.0% and -2.6% in 2009. The largest positive growth rate occurred in Germany, where GDP increased by 3.7% in 2010, as compared to a -4.7% drop in 2009. European societies are called to pay a heavy price as a result of the crisis, which caused a steep rise in unemployment. In 2010, the unemployment rate in the EU stood at almost 10%, and is forecasted to remain above 9% in the coming years.

In 2010, US GDP increased, as compared to a 2.7% decrease in 2009. More specifically, the economic recovery rate slowed down in the 2nd Quarter of 2010, stabilized in the 3rd Quarter when it stood at 2.5%, and finally closed at 2.7% by the end of 2010.

In Japan, economic activity showed a marked improvement during the year. GDP rose in the second quarter, as compared to the previous quarter, as a result of an increase in Japanese exports, an increase in household consumption and, above all, an increase in public investment. At the end of 2010 GDP growth stood at 3.5%, as compared to a 5.2% decrease in 2009.

As far as prices are concerned, inflation in the EU-27 rose by 2.1% year-on-year in December, as compared to a 0.3% year-on-year increase in 2009. In the euro area, the annual inflation rate rose to 1.7% in 2010, from -0.2% in 2009. In December, the lowest inflation rates were registered, according to Eurostat data, in Slovakia (1.3%), the Netherlands (1.8%), Germany and Cyprus (1.9%), while the highest were registered in Romania (7.9%), Estonia (5.4%) and Greece (5.2%). At the end of 2010, year-on-year inflation in the US rose to 1.7% from 0.2% in 2009, and in Japan stood at -1.3% in 2010 and at -2.2% in 2009.

China's economy grew by a more-than-forecasted rate of 9.8% in the 4th Quarter of 2010. This development gave rise to pressures for restrictive monetary policy, aimed at containing inflation. In 2010, the Chinese economy grew by 10.3% year-on-year —the fastest growth rate of the past three years— and the country's GDP rose to US$6.04 trillion. It should be noted that in 2009 China's economy had expanded by 9.2%. At the end of the year, year-on-year inflation stood at 4.6%. In 2010, consumer prices rose by 3.3%, exceeding the 3% threshold set by the country's government. Infrastructure investment in urban centers increased by 24.5% in 2010. Retail sales rose by 19.1% and *industrial output by 13.5%. China's currency reserves reached an historic high of US$199 billion at the end of 2010.*

The euro:dollar exchange rate showed great fluctuations during 2010. More specifically, in the 1st Quarter of 2010 the euro was strengthened against the dollar, and in March 2010 the exchange rate stood at €1 = US$1.3479. Then the dollar started to gain ground with the euro:dollar exchange rate falling to 1.2271. At the end of the 3rd Quarter the euro:dollar rate stood at €1=US$1.3648 and at the end of the year stood at €1=US$1.3362. The euro closed the year 2010 with a 6.5% loss against the dollar, the greatest since 2005.

TABLE 2. Macroeconomic indicators of the European Economy, 2008-2009

Country	Gross Domestic Product annual change %)			Exchange Rate			Inflation annual change %)			Gross Domestic Debt (% of GDP)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Austria	2.0	-3.7	2.0	-	-	-	1.7	0.5	2.6	70.4	69.1	62.6
Belgium	2.0	-2.9	1.0	-	-	-	2.1	0.0	3.8	98.6	97.2	89.8
Denmark	2.3	-4.5	-1.2	7.45	7.45	7.46	2.7	1.3	3.1	44.9	33.7	33.5
Finland	2.9	-6.9	1.0	-	-	-	1.4	1.2	3.4	49.0	41.3	34.1
France	1.6	-2.2	0.4	-	-	-	1.2	0.1	2.8	83.0	76.1	67.4
Germany	3.7	-5.0	1.3	-	-	-	1.9	-0.2	2.1	75.7	73.1	65.9
Greece	-4.2	-1.1	2.0	-	-	-	4.6	1.2	4.1	140.2	112.6	99.2
Ireland	-0.2	-7.5	-3.0	-	-	-	-1.5	-1.8	3.1	97.4	65.8	44.1
Italy	1.1	-4.7	-1.0	-	-	-	1.6	0.3	3.2	118.9	114.6	105.8
Luxembourg	3.2	-3.6	0.0	-	-	-	2.3	0.4	3.7	18.2	15.0	13.5
Netherlands	1.7	-4.5	2.0	-	-	-	1.4	1.1	2.1	64.8	59.8	58.2
Portugal	1.3	-2.9	0.0	-	-	-	1.3	-1.1	2.6	82.8	77.4	66.3
Spain	-0.2	-3.7	0.9	-	-	-	1.8	-0.4	3.7	64.4	54.3	39.7
Sweden	4.8	-4.6	-0.2	9.56	10.61	9.62	1.9	1.9	2.8	39.9	42.1	38.0
Britain	1.8	-4.6	0.6	0.86	0.90	0.80	3.7	1.4	3.0	77.8	68.6	52.0
Estonia	2.4	-13.7	-3.6	15.65	15.65	15.65	2.4	0.2	9.2	8.0	7.4	4.6
Cyprus	0.5	-0.7	3.7	-	-	-	3.0	1.0	4.8	62.2	53.2	48.4
Latvia	-0.4	-18	-4.6	0.71	0.71	0.70	-1.3	3.0	15.5	45.7	33.2	19.5
Lithuania	0.4	-18.1	2.8	3.45	3.45	3.45	1.0	3.5	9.7	37.4	29.9	15.6
Malta	3.1	-2.2	2.1	-	-	-	1.8	1.8	2.9	70.4	68.5	63.8
Hungary	1.1	-6.5	0.6	274.8	279.7	251.5	4.7	4.2	5.6	78.5	79.1	72.9
Poland	3.5	1.2	5.0	3.99	4.34	3.51	2.6	3.8	4.2	55.5	51.7	47.2
Slovakia	4.1	-5.8	6.4	-	-	31.24	0.6	1.6	4.4	42.1	34.6	27.7
Slovenia	1.1	-7.4	3.5	-	-	-	2.1	0.6	5.3	40.7	35.1	22.5
Czech Republic	2.4	-4.8	2.5	25.23	26.40	24.95	0.9	0.4	4.9	40.0	36.5	30.0
EU 27	1.8	-4.1	0.8	-	-	-	2.1	1.0	3.7	79.1	73.0	61.5
Bulgaria	-0.1	-5.9	6.0	1.96	1.96	1.96	1.2	1.4	11.0	18.2	15.1	14.1
Romania	-1.9	-8	6.2	4.21	4.24	3.68	6.1	5.8	9.0	30.4	21.8	13.6
USA.	2.7	-2.5	0.4	1.33	1.39	1.47	1.7	-0.2	3.3	N/A	N/A	N/A
Japan	3.5	-5.9	-0.7	116.5	130.	152.3	-1.3	-1.6	0.5	N/A	N/A	N/A

Source: European Economy, No 10, 2009.

GENERAL OVERVIEW OF THE CAPITAL MARKET

International Capital Markets

In 2010, international stock market indices showed mixed trends and differing returns, while international market volatility was reduced. The major European markets registered moderate gains, with many exceptions, mainly in countries facing more pronounced fiscal problems, while the American market showed positive returns and emerging markets showed both positive and negative returns. The *course of international stock markets was primarily affected by the persistent financial crisis and the sovereign debt crisis, mainly in countries of the European periphery. European markets were apprehensive towards the measures taken by governments with the aim of containing the crises.*

Liquidity in the main money markets was further enhanced: the annual US dollar lending rate decreased from 4.18% at the end of 2007, to 2.02% at the end of 2008, to 0.98% at the end of 2009, and to 0.78% at the end of 2010, while the euro lending rate decreased from 4.73% at the end of 2007, to 3.03% at the end of 2008, to 1.22% at the end of 2009 and to 1.47% at the end of 2010. The nominal yield of the 10-year US Treasury bond decreased from 4.63% at the end of 2007 to 3.66% at the end of 2008 and to 3.26% at the end of 2009, and rose to 3.37% at the end of 2010, while the yield of the 10-year German Bund fell from 4.50% at the end of 2007 to 3.32% at the end of 2008, to 3.40% at the end of 2009 and to 2.95% at the end of 2010. At the end of the year, the euro:dollar exchange rate stood at 1.328 and the euro:sterling rate stood at 0.863.

According to data from the Financial Times (03.01.11), the MSCI World ($) index registered an annual gain of 9.3% in 2010, as compared to a 27.65% gain in 2009 and a 42.22% loss in 2008. Moreover, the MSCI Europe (€) index and the MSCI Pacific ($) index increased by 3.9% and 13.1% respectively, the DJ Euro Stoxx 50 (€) index lost 5.8%, and the FTSE Eurotop 300 (€) index, which includes the largest listed European companies, increased by 7.3%. More specifically, the FTSE 100 (£) index of the London Stock Exchange rose by 9.0% year-on year, the CAC-40 (€) of the Paris Stock Exchange fell by 3.3% and the Dax Xetra (€) index of the Frankfurt Stock Exchange rose by 17.3%, while the Dow Jones Industrial Average rose by 11.0%, the NASDAQ Comp ($) rose by 16.9% and the Nikkei 225 Average (¥) fell by 1.3% year-on-year. Stock market indices in emerging markets showed greater fluctuations than developed markets, sustaining, in most cases, the growth of previous years, as a result of the continued, albeit selective, inflow of funds from developed countries. Chinese company share prices registered substantial year-on-year gains, and the value of transactions in the Shanghai Stock Exchange increased. The Shanghai Avrg index suffered an annual loss of 14.5% in 2010, as compared to a 79.8% gain in 2009, while the Shenzhen Avrg index rose by 7.1% year-on-year, sustaining the substantial growth rates of the previous years (a 79.8% gain in 2009).

Every increase in stock market indices in 2010 was accompanied by a drop in stock market volatility. The price volatility indices of options on the S&P500 (VIX), DJIA (VXD) and the DAX Xetra (VDAX) stock market indices decreased by 20.2%, 20.3% and 9.0% year-on-year by respectively, following decreases of 45.8%, 47.8%, and 44.9% in 2009. Given that the turmoil in the global financial system was contained, international markets seemed to be moving smoothly towards new higher levels, with the exception of those involved in the sovereign debt crisis. Sustained monitoring and intervention by both central banks and governments with the aim of enhancing liquidity in the economy prevented further upheaval in major markets.

In 2010, total activity in international stock markets registered a slight increase, as a result of the international efforts to overcome the crisis, increased cross-border portfolio restructuring activity, the sustained momentum of efforts to privatize state-owned enterprises and the activity of large

private equity investor and hedge fund, as well as the recuperation of corporate issuing activity. According to data from the World Federation of Exchanges (WFE), the total value of equity transactions in the regulated markets of its member-countries increased by 1.8% year-on-year, while the total volume of transactions decreased by 9.8%. Transaction value growth was concentrated in Asia (5.1%).

The total value of transactions in all stock markets-members of the WFE stood at US$63.1 trillion, as compared to US$62.02 trillion in 2009. In 2010, the value of bond transactions worldwide increased by 19.8%. The total value of bond transactions in all stock markets-members of the WFE stood at US$23.811 trillion, as compared to US$19.87 trillion in 2009

In 2010, the value of transactions on derivative products in the stock markets of WFE member-countries showed fluctuations depending on product type. More specifically, in 2010 the number of stock options slightly fell to 3.631 billion from 3.635 billion in 2009 (-0.1%), the number of stock futures rose to 0.786 billion from 0.640 billion in 2009 (22.8%), the number of index options rose to 5.027 billion from 4.154 billion in 2009 (21.0%), the number of index futures rose to 1.880 billion from 1.820 billion in 2009 (3.3%), the number of bond options rose to 0.254 billion from 0.232 billion in 2009 (9.4%) and the number of bond futures rose to 1.029 billion from 0.828 billion in 2009 (24.3%).

In 2010, there was a substantial worldwide 31.4% increase in the value of transactions on securitized financial derivatives in WFE exchanges, once again concentrated in Asia. It is worth noting that the value of transactions in the Hong-Kong Stock Exchange rose to US$534 billion from US$429.7 billion in 2009 (24.3%), in the Korea Exchange rose to US$354.3 billion from US$174.1 billion in 2009 (103.5%), whereas in the Deutsche Borse fell to US$79.6 billion from US$87.9 billion in 2009 (-9.4%).

In 2010, the value of transactions on Exchange Traded Funds (ETFs) in WFE markets decreased by 3.4% worldwide.

In 2010, there was a major decrease in the total market capitalization of international stock exchanges. Total market capitalization in WFE-member stock exchanges rose to US$54.884 trillion from US$46.525 trillion in 2009 and US$32.6 trillion in 2008, registering a substantial 14.9% increase, which also reflected stock price increases. More specifically: the New York Stock Exchange (NYSE/Euronext) remains the leading stock market in terms of listed company capitalization, with a market value of US$13.394 trillion, as compared to US$11.838 trillion in 2009 (28.5%), followed by the NASDAQ/OMX with a market capitalization of US$3.889 trillion as compared to US$3.239 trillion in 2009 (20.1%); the Tokyo stock exchange with a market capitalization of US$3.828 trillion as compared to US$3.306 trillion (0.9%) in 2009; the London Stock Exchange with a market capitalization of US$3.613 trillion as compared to US$3.454 (11.9%) in 2009; the NYSE/Euronext (Europe) with a market capitalization of US$2.930 trillion as compared to US$2.869 trillion (9.2%) in 2009; and the Shanghai Stock Exchange with a market capitalization of US$2.716 trillion as compared to US$2.705 trillion (3.1%) in 2009.

In 2010, corporate bond and stock offerings in international markets registered a considerable increase, reversing the negative trends of the previous year. According to data from Thomson Reuters, the total value of shares issued worldwide amounted to US$854.2 billion as compared to US$872.8 billion in 2009, comprising 4,439 issues as compared to 3,958 issue in 2009. The total value of equity issues in the US stood at US$200.9 billion (745 issues) as compared to US$249.9 billion (744 issues) in 2009, in Europe and the Middle East it stood at US$180.0 billion (829 issues) as compared to US$268.7 billion (943) issues in 2009, in Asia at US$306.6 billion (1,836 issues) as compared to US$165.7 billion (1,206 issues) in 2009, in Australia at US$29.2 billion (477 issues) as compared to US$58.9 billion (592 issues), in Japan at US$58.3 billion (107 issues) as compared to US$64.3 billion (90 issues) and in Latin America the total value of equity issues stood at US$51.6 billion (66 issues) as compared to US$30.5 billion (44 issues) in 2009.

The total value of securities issued worldwide included the issuance of US$765.8 billion in equities (89.6% of the total, 4,156 issues) as compared to US$766.6 billion (89% of the total, 3,553 issues) in 2009, and the issuance of US$88.4 billion (283 issues) in convertible securities as compared to US$91.7 billion in 2009. Share issues worldwide consisted of initial public offerings of US$269.5 billion (1,149 issues) as compared to US$113.9 billion (523 issues) in 2009, and secondary public offerings of US$496.3 billion (3,007 issues) as compared to US$663.4 billion (3,127 issues) in 2009. The value of initial public offerings in the US accounted for 14.0% of the total as compared to 14.6% in 2009, in Asia and Australia accounted for 60.0% as compared to 63.3% in 2009, in Europe and the Middle East accounted for 15.9% as compared to 8.4% in 2009, in Japan accounted for 4.4% as compared to 0.55% in 2009 and in Latin America accounted for 3.0% as compared to 13.9% in 2009. The value of secondary stock offerings in the US accounted for 27.0% of the total as compared to 30.6% in 2009, in Asia and Australia accounted for 27.4% as compared to 20.4% in 2009, in Europe and the Middle East accounted for 23.8% as compared to 33.1% in 2009, in Japan accounted for 8.8% as compared to 9.14% in 2009 and in Latin America accounted for 8.9% as compared to 2.5% in 2009.

More specifically, the total value of funds raised through equity issues in the US sustained a year-on-year decrease of 19.4%, as compared to a 4.9% increase in 2009, while the number of issues remained almost unchanged. The largest issue was carried out by General Motors (US$18.1 bn) followed by Citigroup (US$10.5 bn). The total value of funds raised through equity issues in Europe and the Middle East decreased by 33.0% year-on-year, with a 12.1% drop in the number of issues. The largest issue was carried out by Deutsche Bank (US$14.1 billion), followed by BBVA (US$6.8 billion) and Volkswagen AG (US$6.8 billion). The allocation of issues per sector was the following: financial companies (39% of the total), manufacturing companies (20%), energy (13%), resources (7%). Finally, the total value of funds raised through equity issues in Asia, excluding Japan and Australia, increased by 85.0% year-on-year, as compared to 104.1% in 2009, while the number of issues increased by 52.2%. The largest issue was carried out by the Agricultural Bank of China (US$22.2 billion), followed by AIA Group (US$20.5 bn) and CML Group (US$20.5 bn).

In 2010, the total value of bond issues worldwide amounted to US$5.1 trillion, decreased by 10.0% year-on-year, while the number of issues stood at 16,139, increased by 18% year-on-year. The total value of long-term bonds issued worldwide fell to US$4,878.5 billion from US$5,612.3 billion in 2009, reduced by 7.2% year-on-year. Bond issues by financial sector companies accounted for 52% of the worldwide total, increased by 10% year-on-year. They were followed by real estate companies whose share increased by 35%. Securities issues by developing countries increased by 39.6% year-on-year, and amounted to US$216.6 billion. Of this total, 94.4% had long-term maturities and 5.6% short-term maturities. Moreover, 20.6% represents government and supranational bonds, as compared to 12% in 2009; 6.1% represents high-yield corporate (excluding financial institution) bonds, increased by a spectacular 79.1% year-on-year; 42.3% represents investment grade corporate (excluding financial institutions) bonds; 11.5% represents mortgage-backed securities (MBS), increased by 71.2% year-on-year; and 3.4% represents asset-backed securities (ABS).

In 2010, the total value of bond issues in the US stood at US$2,606.7 billion as compared to US$2,699.3 billion, sustaining a slight year-on-year drop. Of this total, 91.0% had long-term maturities and 9.0% short-term maturities.

In Europe and the Middle East the value of corporate bond issues fell by 14.6% year-on-year, to US$3.2 billion. There was also a major drop in government (-40.6%) and energy sector (-34.2%) debt security issues. The value of corporate bonds in euro stood at US$931.9 billion, reduced by 46.8% year-on-year.

In 2010, corporate restructuring was once more the main feature of international markets. International merger & acquisition (M&A) activity was significantly increased. According to Thomson Reuters data, the total value of M&A deals worldwide amounted to US$2.4 trillion, increased by 22.9% year-on-year, while the number of corporate transactions worldwide stood at 40,000 thousand, increased by 3.0% year-on-year. The value of M&A deals in developing countries stood at US$806.3 billion, increased by 76.2% year-on-year and accounting for 33.1% of total activity worldwide, as compared to 18.8% in 2009. The value of cross-border M&A deals stood at US$952.5 billion, accounting for 39.1% of total activity worldwide as compared to 27.6% in 2009. Once again, the most significant M&A activity worldwide occurred in the energy sector (20.6% of total international activity), in the financial sector

(15.2% of the total) and in the resources sector (10.8% of the total). The value of M&A deals funded through private equity stood at US$225.4 billion, increased by a substantial 89% year-on-year and accounting for 9% of total international activity.

In 2010, M&A value in the US stood at US$821.6 billion and accounted for 33.8% of the total, as compared to 44% in 2009; in Europe M&A value stood at US$523.4 billion, and accounted for 21.5% of the total as compared to 20.0% in 2009. More specifically, the value of M&A deals in the UK stood at US$162.9 billion and accounted for 6.7% of the worldwide total, in Spain stood at US$62.8 billion and accounted for 2.6% of the total, and in France stood at US$52.1 billion and accounted for 2.1% of the total.

In 2010, M&A activity in the energy sector accounted for 20% of total international activity, as compared to 16.9% in 2009, followed by the financial sector, which accounted for 15% of total international activity, as compared to 20% in 2009, the resources sector (11%), manufacturing (9%) and the health and telecommunications sectors (8% each).

In 2010, the five top M&A deals worldwide were the absorption of Carso Global Telecom by America Movil Inc (US$27.5 billion) in Mexico's telecoms sector; the absorption of GDF Suez Energy Inc by International Power plc (US$25.1 billion) in the UK's energy sector; the absorption of Qwest Commune int'l Co by CenturyLink Inc (US$22.2 bn) in the US telecoms sector; the absorption of Italy's Weather Investments SRI Co by VimpelCom Ltd (US$19.3 bn) in the Russian telecoms sector; and the absorption of the US company Genzyme corp. by Sanofi Aventis sa (US$16.1 bn) in France's biotechnology sector.

In 2010, there were further major developments in stock exchanges, and international market infrastructures. The technological upgrade of the electronic execution and clearing of transactions was further enhanced as a result of intense global competitive pressures, derivative product trades increased with the aim of more efficiently managing risks, while new debates and consultations were launched regarding the improvement of the international and European regulatory framework, aiming at the further enhancement of international market efficiency.

The prospects of international capital markets for 2011 are heavily dependent on the outcome of the ongoing financial crisis and its consequences for the global economy. Increased price volatility in many categories of financial instruments and government vigilance during the year have contained cautiousness among investors in all financial markets.

The global financial crisis and the revision of the European financial supervision architecture

One of the major developments in 2010 was the reform of the European financial supervision architecture. This development was under way for quite a long time. As a matter of fact, the past decade saw intense international concern for organizing financial regulation and supervision, mainly focused on their integration. This international concern was rekindled as a result of the 2007-8 global financial crisis, which revealed the weaknesses of the global and European financial systems. There is widespread consensus that the combination of weak regulation and a fragmented supervision architecture, both on the national and international levels, was not only one of the main causes of the crisis, but also prevented effective crisis management. These facts alerted financial policy-makers to the need of radically reforming the regulatory/supervisory regime governing the provision of financial services, in order to restore enduring trust in the markets. These issues are, to a greater or a lesser extent, discussed as part of the current debate in Greece, where the formation of a policy for the future remains a crucial issue.

Although Europe has achieved low inflation and, by preserving the purchasing power of the euro, price stability in the euro zone, it failed in preventing the financial crises. It is now evident that the latter *objective cannot be achieved under the existing European regime, especially because of the diversity of rules/standards for the supervision of individual financial organizations (micro-prudential supervision) that require them to comply with corresponding disclosure, capital adequacy etc. requirements, as well as the fragmentation of the supervisory system: there are 57 national financial supervision authorities, 27 national central banks and the European Central Bank (ECB/ESCB), which operate under at least 4 different supervision models (the silo model, with one supervisor for each field of the financial sector; the twin peaks model, with one supervisor per public supervisory objective; the mega-regulator model, where the supervisor is segregated from the Central Bank and the supervision model where the Central Bank is the only supervisor; as well as various other "hybrids").*

An integrated European system of regulation and supervision will be the answer to recent developments. The history of global financial crises has shown that whenever risk increases, high-leveraged financial institutions tend to behave in a manner that undermines the stability of the overall system. For this reason, the micro-prudential supervision of individual institutions should be supplemented by the macro-prudential oversight of the factors that affect the stability of the entire financial system. The recent crisis has also shown that government intervention can complicate things: in order to bail-out distressed financial institutions, European governments approved huge sums of taxpayer money, which, on one hand, caused public uproar and increased government pressure on supervisors thus jeopardizing their independence and, on the other hand, distorted competition owing to the variety of the bail-outs' content and time-schedule for implementing the national state intervention measures.

Given that the EU's 27 member-states have pledged to promote the single financial market and prevent financial protectionism, the long-term perspective includes building an integrated, effective and innovative European financial system, as part of a new European architecture which imposes uniform rules and supervisory practices on the provision of financial services. Europe's response to these challenges is described in the de Larosière Report, which adopts a realistic, albeit gradual approach, with the aim of achieving the ambitious goal of European supervisory integration — through the creation of an integrated network of national financial supervisors involved in micro- and macro-supervision. Some people consider the de Larosière Report to be a constructively pragmatic approach, while others see a lack of ambition. However, what is feasibly today may not be enough for realizing long-term objectives, especially that of financial stability. In any case, national financial policy should be informed by the European-wide implementation of the de Larosière Report's suggestions.

The de Larosière Report proposes changes in the organization of macro-prudential supervision. The present supervisory arrangements in Europe and worldwide place too much emphasis on the supervision of individual firms, and too little on the macro-prudential side. Obviously, no financial system can be stable if the individual financial institutions that operate in it are not themselves healthy. However, it became evident that the risks faced by the financial system as a whole are different from those faced by individual financial institutions. Moreover, financial firms and markets are so intertwined that macro-prudential supervision cannot remain within the limits of the supervised financial sector, but has to expand to the non-supervised financial sector (hedge funds, off-balance sheet financial vehicles, securitization and structured financial instrument markets, credit rating procedures etc.). Similarly, the pursuit of financial stability policies cannot be limited within national borders, given that in today's globalized financial system individual external turbulences are rapidly transmitted in the domestic and international markets.

With the aim of organizing macro-prudential supervision, the de Larosière Report recommended the establishment of the European Systemic Risk Board (ESRB) that will be operating with the institutional support of the ECB/ESCB. The Board's task is to form decisions and issue macro-prudential policy recommendations, early risk warnings, macroeconomic development and prudential policy *comparisons and recommendations for dealing with risks on the national level. The ESRB shall comprise the members of the General Council of the ECB/ESCB, the chairpersons of CEBS, CESR and CEIOPS and a representative of the European Commission, and is expected to be in a unique position for identifying systemic risks. The Board's work will be based on financial/monetary analysis and data collected from national central banks and regulators, demonstrating the challenge of developing efficient European/national structures for gathering and transmitting confidential information, as well as an efficient mechanism for formulating appropriate policy measures (e.g. increased capital requirements, stronger liquidity buffers etc), on the basis of risk assessment and the results of micro- and macro-prudential supervision, which will be produced and transmitted within a framework of constructive relations between the ERSB and the national authorities that is still under formation.*

The de Larosière report also proposed changes in the organization of micro-prudential supervision. These include the establishment of the European System of Financial Supervisors (ESFS) and the transformation of existing level 3 committees to European authorities with clear responsibilities (implementation of binding supervision standards, harmonized transposition of community directives into national law and interpretation of secondary rules). The de Larosière Report proposed the enhancement of cooperation among national supervisors, as part of a compromise between different interests and limitations: day-to-day micro-prudential supervision will be exercised by national supervisors, albeit the activity of cross-border financial organizations shall be supervised by a college of supervisors, in which the new authorities, ESMA, EBA, EIOPA, and the ECB/ESCB will be represented. The new authorities —ESMA, EBA, EIOPA— will operate under the ESFS, resolving cases of disagreement among national supervisors, will implement binding decisions on financial organizations, will supervise and coordinate the colleges of national supervisors, will grant licenses and supervise specialized institutions, bodies and operations (e.g. credit rating agencies, clearing and settlement systems) and will play a coordination role in emergency situations. This decentralized structure does not require any change in European treaties, respects the principles of proportionality and subsidiarity and is based on existing structures that can be amended. However, it requires a European coordination policy (since the colleges of national supervisors may not stand up to their task) and national supervisory restructuring policies, since the harmonization of supervision standards requires the harmonization of national supervisory responsibilities and sanction regimes. In other words, the de Larosière Report indirectly proposes a dual micro-prudential supervision model, according to which cross-border financial organizations will be supervised on the European level and national organizations will be supervised on the local level. This proposal reproduces the US model (FED and Office of the Comptroller), which cannot be regarded as an unquestionable success, and the US President has already proposed its revision. Moreover, there is a risk of distortions in competition among large cross-border institutions and smaller national institutions. In any case, the implementation of this option requires uniform rules on the EU and national levels.

The de Larosière Report does not support any extended micro-prudential supervision role for the ECB/ESCB, due to many reasons: (a) the ECB/ESCB is primarily responsible for monetary stability, and adding micro-supervisory duties could, in case of a crisis, lead to conflicts between monetary and financial stability targets, as well as to political pressure and interference, thus jeopardizing either the ECB/ESCB's independence or investor protection; (b) the exercise of micro-prudential supervision at times of crisis management has fiscal repercussions: the ECB does not have reasonable capital support for taking actions (in contrast to the US Fed), and no centralization of European fiscal policy is anticipated in the near future; (c) the ECB/ESCB is only responsible for the monetary policy of Euro area member states and any effective supervision requires pan-European coverage; (d) the ECB/ESCB is not entitled by the Treaty to deal with insurance companies and this would pose severe risks of fragmented supervision; and (e) the legal process required for conferring micro-prudential duties requires a unanimous decision of the ECOFIN Council (unanimity among member-states) and a *unanimous decision of Central Bank governors. Finally, there are important reasons in favor of tasking the ECB/ESCB with the macro-prudential supervision of the European financial system, but not with the micro-prudential supervision of financial groups. Both macro- and micro-prudential supervision are necessary and intertwined in substance as well as in operational terms, but they have to be clearly specified and segregated.*

In implementation of the recommendations of the de Larosière Report, in 2010 the European Commission established the European Systemic Risk Board (ESRB) and three new supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). These new authorities started to operate in 2011.

The Greek fiscal crisis, Europe's financial stability and the fiscal adjustment program

In 2010, a crucial development for Greece was the sovereign debt crisis, with its unforeseen consequences for Europe's financial stability and the implementation of a strict and unprecedented fiscal adjustment program.

In early 2010, there was widespread worldwide concern for an imminent sovereign debt crisis in certain European countries, including, above all, Greece, Ireland, Portugal, Spain and Belgium. This led to a confidence crisis in markets and a rise in the spreads between yields on the bonds and the credit default swaps of these countries and those of other EU members, notably Germany.

Concern in regard to accumulated and increasing public deficits and debts all over the world, along with a flood of European country debt downgrades, caused alarm in financial markets. The sovereign debt crisis was mainly focused on developments and events in Greece, whose combination of increasing public debt financing costs and high public deficit caused great concern.

On May 2nd, 2010, the countries of the euro area and the International Monetary Fund agreed to extend a €110 billion fiscal assistance facility to Greece, conditional on the implementation of strict fiscal adjustment measures. On May 9, 2010, the EcoFin Council approved an overall rescue package of €750 billion, which aims at securing financial stability throughout Europe through the establishment of the European Financial Stability Facility (EFSF).

Greece's debt financing crisis

Greece's fiscal troubles were caused by an upsurge in public debt, which was aggravated by the global financial crisis due to the highly external character of this borrowing and the non-productive use of the borrowed funds, as demonstrated by the high current account deficit. The management of the problem was obstructed by the European and Greek political systems' hesitation to consent to corrective measures.

Pre-crisis, the Greek economy was one of the fastest growing in the euro zone. In the period 2000-2007 its average annual growth rate reached 4.2%, driven by the constant inflow of foreign investments. However, large public deficits were a main feature of the Greek model of social development. To achieve this, successive Greek governments adopted, among others, deficit-inducing policies in order to finance job creation in the public sector, as well as the provision of social security and other social benefits. Since 1993, the public debt to GDP ratio has remained, with a few exceptions, above 100%.

In 2007-10, public debt soared as a percentage of GDP. Before the introduction of the euro, the devaluation of the national currency helped finance the public debt. Following the introduction of the euro, Greece was initially able to borrow at very favorable terms, thanks to the low interest rates of government bonds. However, the global financial crisis that broke out in 2008 had a major impact on

Greece: two of the country's largest economic sectors —tourism and shipping— were hit by the recession and their income fell by almost 15% in 2009.

At the end of 2009, the public deficit was revised upwards from approximately 6% (or 8% if a special tax were not implemented) to 12.7% of GDP. In May 2010, Greece's budget deficit was estimated at 13.6% of GDP — one of the highest in the world. In January 2010, the Greek public debt was estimated at €216 billion. The country's accumulated public debt is expected, according to certain estimates, to exceed 120% of GDP in 2010. The Greek bond market depends on foreign investors, with some estimates suggesting that up to 70% of Greek Government bonds are in foreign hands, including those held by the ECB.

It is claimed that massive tax evasion, estimated by international analysts at more than €15 billion per year, is the biggest obstacle to controlling Greece's public deficit and debt. That said, the auctions of Greek government bonds that were held in early 2010 were oversubscribed. At the January 2010 auction, investors placed orders worth €20 billion for the purchase of the five-year fixed rate Greek bond, an amount four times larger than the one counted on by the Greek government. Similarly, in March 2010 Greece sold ten-year government bonds worth €5 billion, and received orders for the purchase of three times that amount.

However, the negative developments regarding the amount of the budget deficit led to the downgrade of Greece's debt. On April 27, 2010, Greece's sovereign debt was downgraded by the Standard & Poor's credit rating agency to the first level of "non investment grade", amidst rising fears of default by the Greek government. Yields on Greek government two-year bonds rose to 15.3% following the downgrade. Some analysts questioned Greece's ability to refinance its debt. Standard & Poor's estimated that investors would lose 30%-50% of their capital in case of default. This announcement caused stock markets worldwide to plunge.

Following downgrades by the Fitch, Moody's and S&P credit rating agencies in 2010, Greek bond yields rose both in absolute terms and relative to the German bunds. The drop in trading activity led to shallow government bond markets, with large price fluctuations.

On May 3 2010, the European Central Bank temporarily suspended its minimum threshold for Greek debt as collateral for financing commercial banks, meaning that the bonds would still be acceptable as collateral despite their downgraded status. This decision guarantees the Greek financial institutions access to low-cost funding from the ECB, while analysts claimed that it helps make Greek government bonds more attractive to investors. Following the introduction of these measures, the yield on Greek ten-year bonds fell to 8.5%, 550 basis points above the yield of German bonds, and down from 800 basis points earlier. By the end of November 2010, Greek ten-year bonds were traded at an effective yield of approximately 12%.

These developments necessitated a strict fiscal adjustment agreement, as part of a fiscal support facility. On March 5, 2010, the Greek Parliament passed the law for the protection of the Greek economy, which is estimated to produce savings of €4.8 billion through a series of fiscal adjustment measures, including wage cuts in the public sector. On April 23, 2010, the Greek government requested from the EU and the International Monetary Fund (IMF) to activate the rescue package. The IMF said that it was "prepared to move expeditiously on this request". Greece had to secure funds prior to May 19th, otherwise it would have to face a debt roll-over of more than US$11.3 billion.

On May 2, 2010, an agreement was reached between Greece, the other countries of the euro zone and the IMF, concerning the extension of a €110 billion loan. The agreement provided for the immediate disbursement of €45 billion in 2010 and the disbursement of the remaining funds in 2011 and 2012. The interest for this loan has been set at 5%, which is considered rather high for such a rescue *package. The Greek government agreed to impose fiscal adjustment measures, the most important being: (i) the establishment of a €1,000 limit on a semi-annual basis on the bonuses of public sector executives, which are abolished for those earning over €3,000 per month; (ii) an additional 8% cut on public sector employee wages and a 3% cut on state-owned enterprise employee wages; (iii) the introduction of a limit of €800 per month to the 13th and 14th pension installments, which are fully abolished for pensioners receiving over €2,500 a month; (iv) the refund of the special tax on high pensions; (v) changes to the laws governing lay-offs and overtime pay; (vi) an extraordinary tax on corporate profits; (vii) the increase of VAT rates to 23%, 11% and 5.5% for each type of products and services; (viii) a 10% increase in luxury taxes, and excise taxes on alcohol, tobacco products and fuel; (ix) the equalization of retirement ages for men and women; (x) the introduction of a mechanism for adjusting pensions to changes in life expectancy; (xi) the formation of a national financial stability fund; (xii) the increase of the average retirement age for public sector employees from 61 to 65 years; and (xiii) the reduction of state-owned enterprises from 6,000 to 2,000.*

It is widely believed that the danger of default by the Greek state was genuine, and the entry to the support mechanism was inevitable. Without the rescue agreement, there was a possibility that Greece would have to default on part of its debt. The premiums on Greek debt had risen to levels reflecting a high probability of default or debt restructuring. International analysts gave, and continue to give, a 25% to 90% chance of default or debt restructuring. They claim that a default would possibly take the form of a debt restructuring, with Greece paying its creditors only part of the face value of the debt.

Given that Greece is a member of the euro zone it cannot unilaterally stimulate its economy by using monetary policy instruments. For example, since the outbreak of the global financial crisis the US Federal Reserve has expanded its balance sheet by over US$1.3 billion by printing new money, which is injected in the economy through the purchase of outstanding corporate debt.

It is claimed that the overall effect from a possible Greek default on the other European economies would be small in itself, given that Greece accounts for just 2.5% of the euro zone's economy. The greatest concern is that a possible Greek default would cause investors to lose confidence in other euro zone countries as well. This concern was mostly focused on Portugal and Ireland, both high public debt and high deficit countries. Ireland lived up to these fears and in 2010 was also led to the fiscal support mechanism. Italy also has a high debt, but its budget position is better than the European average, its public debt is mostly internally held and, therefore, it is not considered among the countries most at risk. Moreover, recent rumors that speak of international speculators causing Spain to resort to the rescue mechanism has been dismissed as "intolerable" by the Spanish Prime Minister. Spain has a comparatively low debt among advanced economies as a percentage of GDP in 2010, and less than Germany, France or the US and, therefore, does not face a risk of default. Spain and Italy are much larger economies than Greece, and most of their debt is owed to domestic investors, therefore they are in a better fiscal situation than Greece and Portugal.

Of course, the proposed fiscal adjustment policies and measures gave rise to serious objections and reactions. The negative effects of tighter fiscal policy could offset the positive effects from lower borrowing costs, while social upheaval could have major negative repercussions on investment and growth in the long-term. Many distinguished economists have also criticized the EU for being too slow to assist Greece, for its insufficient support to the new government, its lack of willpower to establish sufficient solidarity and a stabilization framework for countries facing economic difficulties, and its deferential treatment of credit rating agencies.

The crisis in the euro zone that started in Greece has spread beyond its borders, to Ireland and Portugal. The crisis has eroded investor confidence to other European economies. The United Kingdom with a 12.6% deficit and Spain with a 11.2% deficit are facing the greatest risk.

These developments led investors to focus their criticism on the economies of the European periphery, due to the euro zone members' failure to offer a clear solution to the Greek fiscal crisis. This is reasonable, say many economists who, nonetheless, add that focusing on the peripheral economies of the euro zone is unfair. According to the European Commission, the budget deficit of the UK for 2010 will exceed Greece's and was the worst case in the EU during 2010.

Many analysts believe that the unfolding sovereign debt crisis is an overall fiscal crisis of the Western world. The financing needs of Euro zone countries for 2010 are estimated at a total of €1.6 trillion, while those of the US are expected to reach US$1.7 trillion and the debt financing needs of Japan stand at JPY213 trillion. The countries that are most at risk are those relying on foreign investors to finance their public sector, and as a result Greece has many similarities with the US. As a result of these developments, issuing activity in international markets diminished, despite the huge needs for capital. In 2010, total value of bond issues worldwide amounted to US$5.1 trillion, reduced by 10.0% year-on-year. Greece has been the notorious example of a developed country that has faced difficulties in raising funds from the markets because of its rising debt levels. Even countries such as the US, Germany and the UK faced great difficulties as investors shunned bond auctions amidst concerns about their public finances and economies. In the US, it seems that a hike in government bond prices has, for the time being, been averted due to massive Treasury bond purchases by the US Federal Reserve and the accumulation of reserves by Asian, and especially Chinese, monetary authorities. However, the Fed has already revised its policy, by phasing out corporate bond purchases and pursuing, at the same time, "quantitative easing". Meanwhile, China has drastically reduced government bond purchases, which in 2006 accounted for 47% of new issues, to 20% in 2008 and almost 5% in 2009.

The fiscal crisis exposed the need to adopt long-term solutions. EU leaders have made two important proposals for securing European financial and fiscal stability on the long run. The first proposal includes the formation of a European Financial Stability Facility. The second proposal includes the establishment of a single authority responsible for supervising the tax policies and coordinating the fiscal policies of EU member-states; this authority is, for the time being, called the European Treasury. The EFSF is financially supported by the EU and the IMF. The European Treasury is supported by the European Parliament, the European Council and, above all, the European Commission. However, the strong supervision the European Commission has to exercise on taxation and fiscal policy, and the implementation mechanisms that accompany it, have been regarded as infringements on the sovereignty of EU member states and are opposed to by core EU countries, such as France and Italy, a fact that could jeopardize the smooth operation of the European Treasury.

The fiscal crisis brought to light the special role played by Credit Rating Agencies (CRAs). Major international CRAs —Moody's, Standard & Poor's and Fitch— have played a central and controversial role in the current crisis in European bond markets. Credit rating agencies have attracted the same severe criticism that they had attracted following the subprime mortgage bubble and the Icelandic crisis. CRAs have been accused of giving in advance overly generous debt ratings, as a result of conflicts of interest. They also tend to act conservatively and delay the adjustment of their ratings when a company or country is facing problems. In Greece's case, the market reacted to the country's fiscal crisis before its credit rating was downgraded, and as a result Greek government bonds traded at "junk" price levels several weeks before credit rating agencies actually rated them as such.

Many government officials, on both the national and European levels, have criticized CRAs. Some argued that investors should not take CRA recommendations too seriously, following the continual downgrades of Greece, Spain and Portugal. Others called for an independent European credit rating organization, capable of avoiding the conflicts of interest that US-based CRAs are confronted with.

Many observers in Europe have argued that the recent commotion regarding the role of CRAs in the sovereign debt market may possible lead to their increased supervision.

Apparently, European leaders are considering the possibility of creating a European CRA. Owing to the difficulties in supervising CRAs, European regulators were assigned, as part of a new European Regulation, new supervision responsibilities, which have come into force since December 2010.

The fiscal crisis has also been connected to the role of international speculators. Speculators and hedge funds engaged in foreign currency sales have been blamed by many Europeans for aggravating the crisis. Germany's Chancellor has stated that agencies and institutions that were bailed out with public funds are taking advantage of the fiscal crisis in Greece and elsewhere. In response to the allegations regarding the speculators' role in aggravating the problem, some markets, including the Greek, banned naked short selling for quite a long time.

As a result of the fiscal crisis, Europe took emergency measures. On May 9, 2010, the 27 member-states of the European Union agreed on the formation of the European Financial Stability Facility (EFSF), a legal instrument that aims at preserving financial stability in Europe through the provision of financial stability to euro zone members in distress.

In order to achieve these targets, the EFSF was set up as a Special Purpose Vehicle, which will be selling European bonds and use the proceeds for extending loans of up to €440 billion to Euro zone member-states in need. The bonds will be backed by guarantees provided by the European Commission, representing the entire EU and the IMF. The new facility will be activated following a request by member-state for aid.

The EFSF will be combined with a loan from the European financial stabilization mechanism (dependent on guarantees provided by the European Commission, based on the EU budget as collateral) and an IMF-backed loan, in order to create a financial safety net of up to €750 billion.

The ECB has also announced a series of measures aimed at reducing volatility in financial markets and enhancing liquidity. (i) the initiation of open market operations, through the purchase of government and corporate debt securities; (ii) the implementation of two programs for the full allotment of the long-term financial operations, with durations of 3 and 6 months; and (iii) the activation of dollar swap lines with the support of the US Federal Reserve. As a result, the member-banks of the European System of Central Banks started purchasing government debt.

After this announcement stock prices surged worldwide, as fears of a possible proliferation of the Greek fiscal crisis receded.

Despite the measures taken by the EU, the European Commissioner for Economic and Financial Affairs demanded further deficit cuts by heavily indebted Spain and Portugal. Bankers and economists also warned that the threat of a double dip recession has not faded. It was also argued that the global economy is in serious risk when new crises emerge in the wake of a serious crisis and during a vulnerable recovery. Finally, it is a fact that the extension of fresh credit to heavily indebted countries does not lead to the immediate recovery of economic activity, because, although these funds are now on the table, they are conditional to the implementation of strict fiscal adjustment and structural reform policies.

The Greek Capital market

Improving international developments did not have the same effect on the course of the Greek capital market, which in 2010 was marked by a substantial decline of stock market prices, even more reduced *trading activity in the markets of the Athens Exchange (ATHEX), and inexistent issuing activity by new entrants.*

More specifically, the ATHEX General Index closed at the year's end at 1,413.94 units, sustaining a total annual loss of 35.6%. Prices showed limited volatility. The average monthly volatility of the daily returns of the General Index stood at 2% in 2010, as compared to 2.05% in 2009 and 2.22% in 2008. In 2010, the daily value of transactions in the ATHEX amounted to €139.42 million, substantially reduced by 32.03% year-on-year, as compared to a 35.13% decrease in 2009, a 33.9% decrease in 2008 and a 40.6% increase in 2007. The total annual value of transactions amounted to €35.1 billion, reduced by 31% year-on-year, as compared to a 35% decrease in 2009 and a 35.5% decrease in 2008. At the end of 2010, the total market capitalization of ATHEX-listed companies reached €54.3 billion, sustaining an annual drop of 35.4%, as compared to a 22.3% increase in 2009 and a 65.1% decrease in 2008. The market capitalization of ATHEX-listed companies accounts for just 25.8% of Greece's GDP, as compared to 28.5% in 2009, 34.7% in 2008 and 85.2% in 2007.

More specifically, according to ATHEX data, the development of major market indices during 2010 was the following: In January 2010, the General Index of the ATHEX closed at 2,048.32 units incurring a monthly loss of 6.7%. The total value of transactions stood at €4.4 billion, registering a monthly decrease of 6%, and a year-on-year increase of 78%. The total market capitalization of the ATHEX stood at €78.2 billion, registering a monthly decrease of 7%, and a year-on-year increase of 16.8%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 48.9%. Foreign investors accounted for 55% of the total value of transactions, Greek retail investors for 26.9% of transactions and Greek institutional investors (private financial companies) for 16.6% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €64.58 million, net capital inflows by Greek retail investors stood at €137.35 million and net capital outflows by Greek institutional investors stood at €80.72 million. In January 2010, 63.3 thousand investor accounts were active and 2,861 new investor accounts were opened.

In February 2010, the General Index of the ATHEX closed at 1,913.16 units incurring a monthly loss of 6.6%. The total value of transactions stood at €3.9 billion, registering a monthly decrease of 10.1%, and a year-on-year increase of 86%. The total market capitalization of the ATHEX stood at €73.5 billion, registering a monthly decrease of 6%, and a year-on-year increase of 25.9%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 49%. Foreign investors accounted for 54.3% of the total value of transactions, Greek retail investors for 27.4% of transactions and Greek institutional investors (private financial companies) for 16.8% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €295 million, net capital inflows by Greek retail investors stood at €244.9 million and net capital outflows by Greek institutional investors stood at €21.8 million. In February 2010, 66 thousand investor accounts were active and 5,027 new investor accounts were opened.

In March 2010, the General Index of the ATHEX closed at 2,067.49 units registering a monthly gain of 8.07%. The total value of transactions stood at €3.9 billion, registering a monthly decrease of 1.7%, and a year-on-year increase of 63%. The total market capitalization of the ATHEX stood at €79.3 billion, registering a monthly increase of 8%, and a year-on-year increase of 25.6%. The participation of foreign investors to the total capitalization of the Greek market rose marginally to 50.3%. Foreign investors accounted for 52.2% of the total value of transactions, Greek retail investors for 28% of transactions and Greek institutional investors (private financial companies) for 17.5% of transactions. Net capital inflows by foreign investors in the Greek capital market stood at €95.9 million, net capital outflows by Greek retail investors stood at €73.36 million and net capital outflows by Greek institutional investors stood at €46.61 million. In March 2010, 53 thousand investor accounts were active and 3,062 new investor accounts were opened.

In April 2010, the General Index of the ATHEX closed at 1869.99 units incurring a monthly loss of 9.6%. The total value of transactions stood at €4.7 billion, registering a monthly increase of 22%, and a year-on-year increase of 28%. The total market capitalization of the ATHEX stood at €71.9 billion, registering a monthly decrease of 9.3%, and a year-on-year increase of 5%. The participation of foreign investors to the total capitalization of the Greek market stood at 50.4%. Foreign investors accounted for 54% of the total value of transactions, Greek retail investors for 29.5% of transactions and Greek institutional investors (private financial companies) for 15.1% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €368.15 million, net capital inflows by Greek retail investors stood at €421.82 million and net capital outflows by Greek institutional investors stood at €87.62 million. In April 2010, 76.8 thousand investor accounts were active and 5,646 new investor accounts were opened.

In May 2010, the General Index of the ATHEX closed at 1,550.58 units incurring a monthly loss of 17.7%. The total value of transactions stood at €3.2 billion, registering a monthly decrease of 32%, and a year-on-year increase of 39%. The total market capitalization of the ATHEX stood at €60.9 billion, registering a monthly decrease of 15.4%, and a year-on-year increase of 30.2%. The participation of foreign investors to the total capitalization of the Greek market stood at 49.5%. Foreign investors accounted for 51.6% of the total value of transactions, Greek retail investors for 29.7% of transactions and Greek institutional investors (private financial companies) for 16.6% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €339.3 million, net capital inflows by Greek retail investors stood at €252.2 million and net capital inflows by Greek institutional investors stood at €47.4 million. In May 2010, 63.9 thousand investor accounts were active and 3.043 new investor accounts were opened.

In June 2010, the General Index of the ATHEX closed at 1,434.22 units incurring a monthly loss of 7.5%. The total value of transactions stood at €2.2 billion, registering a monthly decrease of 31%, and a year-on-year decrease of 52%. The total market capitalization of the ATHEX stood at €56.5 billion, registering a monthly decrease of 7.2%, and a year-on-year decrease of 31.3%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 49.4%. Foreign investors accounted for 46% of the total value of transactions, Greek retail investors for 30.3% of transactions and Greek institutional investors (private financial companies) for 21.2% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €87.5 million (or €1.06 billion in the first six months), net capital inflows by Greek retail investors stood at €51.3 million and net capital inflows by Greek institutional investors stood at €29.4 million (or €1.01 billion in the first six-months by all Greek investors). In June 2010, 50.6 thousand investor accounts were active and 2,373 new investor accounts were opened.

In July 2010, the General Index of the ATHEX closed at 1,681.98 units registering a monthly gain of 17.3%. The total value of transactions stood at €2.3 billion, registering a monthly increase of 3%, and a year-on-year decrease of 45%. The total market capitalization of the ATHEX stood at €65.2 billion, registering a monthly increase of 15.4%, and a year-on-year decrease of 26.8%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 48.5%. Foreign investors accounted for 44.3% of the total value of transactions, Greek retail investors for 32.8% of transactions and Greek institutional investors (private financial companies) for 21.3% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €86.1 million, net capital outflows by Greek retail investors stood at €17.6 million and net capital inflows by Greek institutional investors stood at €102.2 million. In July 2010, 48.4 thousand investor accounts were active and 3,393 new investor accounts were opened.

In August 2010, the General Index of the ATHEX closed at 1,555.41 units incurring a monthly loss of 7.53%. The total value of transactions stood at €1.7 billion, registering a monthly decrease of 25%, and *a year-on-year decrease of 59%. The total market capitalization of the ATHEX stood at €60.7 billion, registering a monthly decrease of 6.9%, and a year-on-year decrease of 34.1%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 49.3%. Foreign investors accounted for 38.8% of the total value of transactions, Greek retail investors for 39.6% of transactions and Greek institutional investors (private financial companies) for 19.5% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €23.6 million, net capital inflows by Greek retail investors stood at €37.1 million and net capital outflows by Greek institutional investors stood at €28.5 million. In August 2010, 41.6 thousand investor accounts were active and 1,467 new investor accounts were opened.*

In September 2010, the General Index of the ATHEX closed at 1,471.04 units incurring a monthly loss of 5.42%. The total value of transactions stood at €2.4 billion, registering a monthly increase of 40%, and a year-on-year decrease of 56%. The total market capitalization of the ATHEX stood at €55.9 billion, registering a monthly decrease of 8%, and a year-on-year decrease of 43.5%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 49.8%. Foreign investors accounted for 47.3% of the total value of transactions, Greek retail investors for 30.4% of transactions and Greek institutional investors (private financial companies) for 19.7% of transactions. Net capital outflows by foreign investors in the Greek capital market stood at €125.1 million, net capital inflows by Greek retail investors stood at €94.2 million and net capital outflows by Greek institutional investors stood at €1.5 million. In September 2010, 68.8 thousand investor accounts were active and 3,460 new investor accounts were opened.

In October 2010, the General Index of the ATHEX closed at 1,547.63 units registering a monthly gain of 5.2%. The total value of transactions stood at €2.6 billion, registering a monthly increase of 8%, and a year-on-year decrease of 59%. The total market capitalization of the ATHEX stood at €59.4 billion, registering a monthly increase of 6.3%, and a year-on-year decrease of 40.5%. The participation of foreign investors to the total capitalization of the Greek market remained almost unchanged at 48.6%. Foreign investors accounted for 51.9% of the total value of transactions, Greek retail investors for 27.2% of transactions and Greek institutional investors (private financial companies) for 18.6% of transactions. Net capital inflows by foreign investors in the Greek capital market stood at €118.7 million, net capital outflows by Greek retail investors stood at €52.5 million and net capital outflows by Greek institutional investors stood at €50.2 million. In October 2010, 64 thousand investor accounts were active and 3,697 new investor accounts were opened.

In November 2010, the General Index of the ATHEX closed at 1,419.67 units incurring a monthly loss of 8.26%. The total value of transactions stood at €2.2 billion, registering a monthly decrease of 16%, and a year-on-year decrease of 61%. The total market capitalization of the ATHEX stood at €54.7 billion, registering a monthly decrease of 7.9%, and a year-on-year decrease of 34.8%. The participation of foreign investors to the total capitalization of the Greek market rose to 50.4%. Foreign investors accounted for 50.2% of the total value of transactions, Greek retail investors for 27.7% of transactions and Greek institutional investors (private financial companies) for 20.5% of transactions. Net capital inflows by foreign investors in the Greek capital market stood at €35.86 million, net capital inflows by Greek retail investors stood at €47.91 million and net capital outflows by Greek institutional investors stood at €103.83 million. In November 2010, 45.6 thousand investor accounts were active and 2,810 new investor accounts were opened.

In December 2010, the General Index of the ATHEX closed at 1,413.94 units incurring a monthly loss of 0.4%. The total value of transactions stood at €1.7 billion, registering a monthly decrease of 24%, and a year-on-year decrease of 64%. The total market capitalization of the ATHEX stood at €54.3 billion, registering a monthly decrease of 0.7%, and a decrease as compared to December 2009. The participation of foreign investors to the total capitalization of the Greek market remained almost *unchanged at 50.4%. Foreign investors accounted for 46.5% of the total value of transactions, Greek retail investors for 29.1% of transactions and Greek institutional investors (private financial companies) for 20.9% of transactions. Net capital inflows by foreign investors in the Greek capital market stood at €50.6 million, net capital outflows by Greek retail investors stood at €37.6 million and net capital outflows by Greek institutional investors stood at €30.8 million. In December 2010, 35 thousand investor accounts were active and 1,872 new investor accounts were opened.*

In 2011, the course of the Greek capital market will probably be affected by the unfolding of the fiscal crisis and its impact on investment capital flows.

The Institutional Framework of the Capital Market

In 2010, both the supervisory authorities and the State reinforced the regulatory framework and the infrastructure for the supervision of the capital market, with new measures that protected the market from systemic risks, and phenomena of extreme behavior. The measures included improvements and extensions of the existing regulatory framework, on the basis of the new demands of the market and the substantial experience thus far accumulated. Investor protection and the quality of investment services were enhanced through prudential supervision measures, such as the enhancement of capital adequacy and company solvency regulations, the improvement of mutual fund classification and the maintenance of certification requirements for individuals involved in the distribution of mutual fund units, the granting of a license for the operation of a securities' and derivatives' clearing system and the approval of its rulebook. Transparency in the capital market was enhanced through measures aimed at improving the financial information provided by listed companies and the dissemination of trading information. The smooth operation and security of the capital market were enhanced by measures that rationalized the short-selling regime in order to reduce uncertainty in markets through the containment of stock price fluctuations, and improved the operation of the dematerialized securities system. Market infrastructures and the security of transactions were reinforced through continuous improvements in the rulebook of ATHEX markets and the regulation for the clearing and settlement of transactions on securities and derivatives, as well as the dematerialized securities system, in a manner that enables the implementation of the provisions on Markets in Financial Instruments.

Supervision of the Greek capital market

The main priority of the HCMC is to enforce the law on markets in financial instruments, emphasizing on the prevention of market abuse practices.

More specifically, the Hellenic Capital Market Commission ensures the listed companies' compliance with transparency requirements through continuous interventions aimed at making companies provide timely, appropriate and sufficient information to investors thus avoiding situations of asymmetric information, which disrupt the smooth operation of the market. In the same vein, controls regarding the disclosure of financial data and information in the financial statements published by listed companies were continued with the aim of providing investors with complete information.

The Capital Market Commission, as part of the supervision of firms intermediating in the provision of investment services and mutual fund management firms, is monitoring licensed companies and performs regular on-the-spot and remote audits. It also performs ad hoc, sample risk-based audits. Special importance is attached to compliance with investor protection regulations and the monitoring of capital adequacy of supervised firms through monthly regular and ad hoc *audits Moreover, the Hellenic Capital Market Commission is closely monitoring compliance with money laundering regulations, as well as compliance with the natural and legal person eligibility and transparency criteria for the provision of operating licenses to financial intermediaries.*

The Hellenic Capital Market Commission also monitors transactions executed in the Athens Exchange and performs cross-checks and audits for preventing market abuse practices. In 2010, the IT systems used by the HCMC for monitoring and analyzing transactions were substantially upgraded. Moreover, the Capital Market Commission is utilizing for supervisory purposes a multitude of data and information that are disclosed or made available to it, including over-the-counter transactions on securities or derivatives traded in Greece or transactions concerning securities traded in Greece, irrespective of the place of execution.

The supervisory action of the HCMC although not always manifest, especially when it is of a prudential, instead of suppressive, character, is decisively helping ensure the smooth operation of the market in a highly volatile environment.

International activities of the Hellenic Capital Market Commission

Being a national regulator, the Hellenic Capital Market Commission is endowed with the authority to conclude bilateral and multilateral agreements in the form of memoranda of understanding with other countries' regulatory authorities for the exchange of confidential information, and co-operation on issues related to the safeguarding of market stability. In the context of international relations development, members of the Commission's staff participated in numerous international conferences. Moreover, during 2010 there was further supervisory co-operation with other countries' regulators, and the coordinating bodies continued their work for the improvement of co-operation between stock exchanges, clearing houses and regulators. In general, in 2010 the staff of the Hellenic Capital Market Commission had a great contribution to the discussions and the preparation of European Commission Directives related to the capital market, as well as similar CESR initiatives, in the context of various working groups.

THE COURSE OF THE GREEK CAPITAL MARKET

The stock market

The General Index of the Athens Exchange

In 2010, the General Index of the Athens Exchange sustained an annual loss of 35.62%, as compared to a 22.9% gain in 2009, closing at 1,413.94 units in the last trading session of the year (Table 3). This level represents an overall decrease of 77.7% from the 6,355 unit historic high of September 17, 1999. The decrease in prices during 2010 is on one hand due to the negative impact from the after-effects of the global financial crisis of 2007-9 and on the other hand to widespread investor uncertainty regarding the negative prospects of the Greek economy. These negative expectations were the outcome of major imbalances in Greece's public finances, the uncertainty in regard to financing Greece's debt and deficit, and their wider impact on the real economy and its growth prospects. This uncertainty was mainly manifest through a rise in the spreads of bond yields and an increase in the prices of credit default swaps on Greek bonds. The investors' reaction took the form of massive bond selling during the first months of 2010.

The average closing value of the General Index during the year was 1,708.11 units as compared to 2,186.64 units in 2009. In 2010, the course of the Index was marked by volatility. During the 08.06.10 session, the Index registered its lowest value for the year (1,383.01 units) and the lowest value since March 2003. The Index reached its highest value for the year in the first month of 2010, during the session of January 11 (2,366.82 units). Stock market indices started to fall since the second Quarter, mainly due to adverse developments regarding Greece's macroeconomic indicators.

The average monthly standard deviation of the daily returns of the General Index stood at 2.09%, as compared to 2.05% in 2009, 2.22% in 2008 and 0.97% in 2007, confirming the persistence of stock price fluctuations (Figure 2). Stock price volatility was reduced during the second half of the year.

TABLE 3. Average Annual Change (%) of the ATHEX General Index, 2000-2010

	Placement Year										
	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Return Year	2001	-23,5									
	2002	-28,2	-32,5								
	2003	-12,6	-6,5	29,5							
	2004	-4,8	2,4	26,2	23,1						
	2005	1,6	9,0	28,0	27,2	31,5					
	2006	4,4	11,1	25,9	24,7	25,6	19,9				
	2007	6,2	12,2	24,3	23,0	23,0	18,9	17,9			
	2008	-7,7	-5,2	0,4	-4,6	-10,5	-21,3	-36,2	-65,5		
	2009	-4,7	-2,0	3,3	-0,5	-4,6	-12,0	-20,6	-34,9	22,9	
	2010	-8,4	-6,5	-2,6	-6,5	-10,7	-17,3	-24,7	-35,1	-11,0	-35,6

Note.: The results are based on the following formula: $(Xt / Xo)^{(1/t)}$ -1, where Xo and Xt represent the closing values of the ATHEX General Index at the year-base 0 and at the year t, respectively.

FIGURE 2. Monthly volatility of the ATHEX General Index, 2010

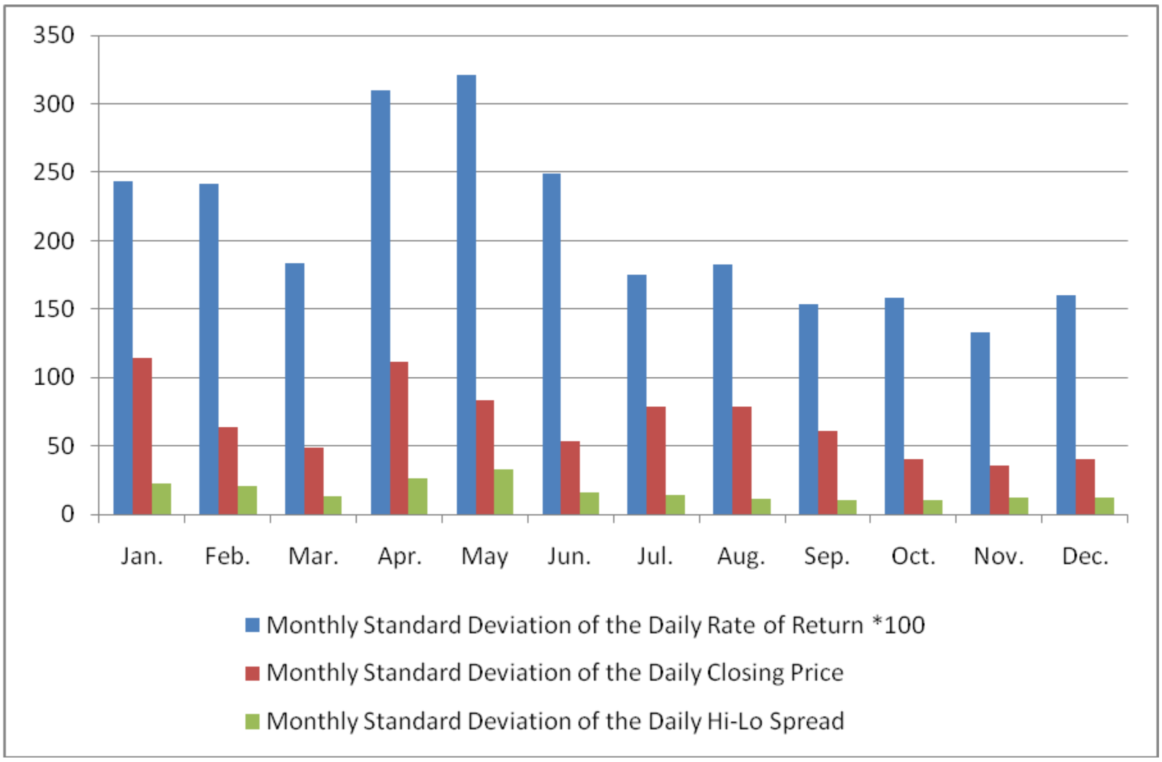
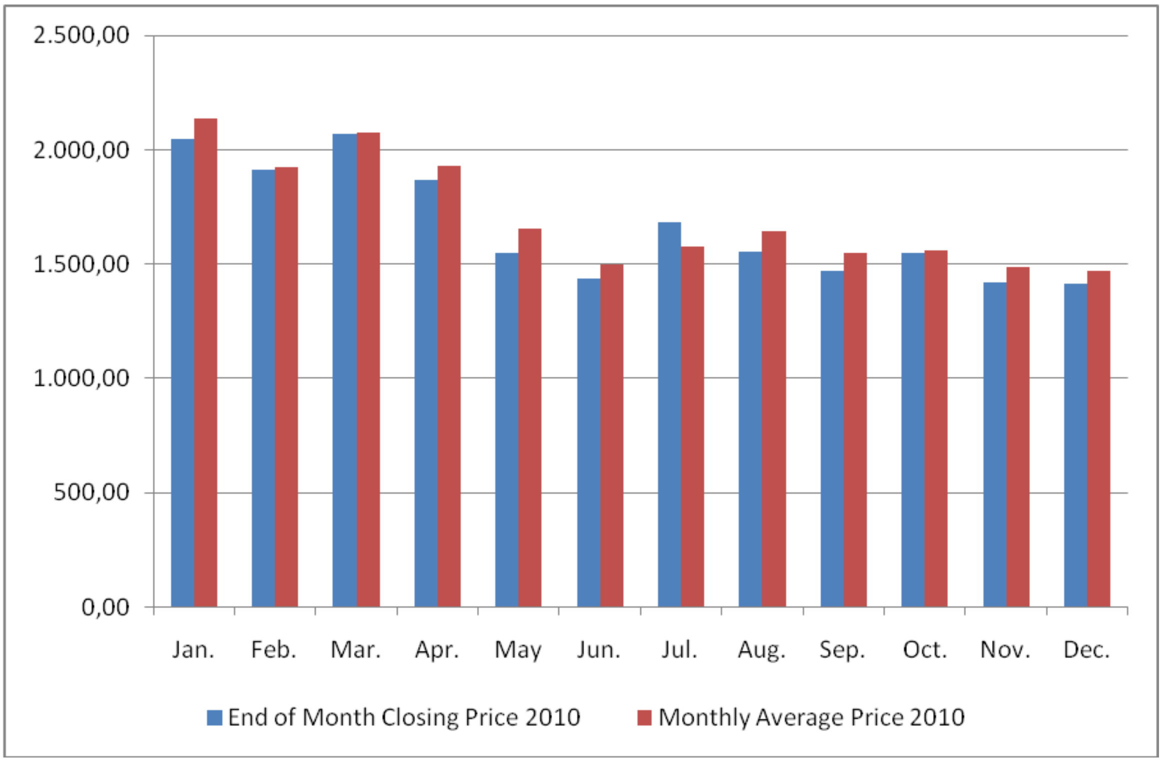


FIGURE 3. Monthly Closing Price of the ATHEX General Index, 2010



Stock Exchange Indices

In 2010, most indices in the Athens Exchange declined (Tables 4 and 5). In terms of market capitalization, the largest annual loss was sustained by the FTSE/ATHEX MidCAP index of middle capitalization companies (-42.67%), which had, nonetheless, registered the largest gain during 2009 (37.5%). Year-on-year losses were also sustained by the FTSE/ATHEX 20 index of big capitalization companies, which fell by -41.08% (as compared to a 20.7% increase in the previous year), as well as the FTSE/ATHEX Small Cap and FTSE/SA International indices, which fell by -40.52% and -41.18% respectively. Among sectoral indices, only those of Insurance, Industrial Goods & Services and Food & Beverage registered gains. The largest annual gain was that of the Food & Beverages Index (+19.15%), while the heaviest annual loss was sustained by the Health sector (-83.09%). The Banks' index sustained a remarkable loss of 53.59%, as compared to a 40.13% increase in 2009, significantly affecting the value of the General Index, since banks account for a large part of its structure. In 2010, the losses of individual bank shares ranged from 31.20% to 80.85%.

TABLE 4. Sectoral Share-price Indices in the ATHEX, 2010

ATHEX indices	Closing price. 31.12.2010	Lowest price for the year	Highest price for the year	Annual Change (%)
General Index	1,413,94	1,383.01	2,366.82	-35.62
FTSE/ATHEX 20	663.10	662.46	671.58	-41.08
FTSE/ATHEX MIDcap	1,498.57	1,498.57	1,512.31	-42.67
FTSE/ATHEX Small Cap	254.41	253.67	256.03	-40.52
FTSE/ATHEX international	1,752.44	1,751.58	1,774.09	-41.18
Banks	1,250.99	1,250.99	1,278.75	-53
Insurance	1,846.51	1,793.81	1,925.56	9.60
Financial Services	1,788.73	1,739.51	1,811.27	-53.59
Industrial Goods	3,368.28	3,351.37	3,391.75	0.39
Retail	1,721.42	1,721.33	1,728.21	-44.63
Personal & Household Products	2,877.14	2,826.69	2,877.14	-27.57
Food - Beverages	6,931.32	6,931.32	7,115.69	19.15

Basic Resources	2,144.71	2,098.08	2,144.71	-26.96
Construction & materials	2,380.78	2,309.89	2,380.78	-30.02
Oil & Gas	2,257.81	2,225.69	2,265.78	-26.67
Chemicals	6,826.51	6,635.88	6,864.88	-12.45
Media	805.55	786.54	849.62	-74.44
Travel & Leisure	2,257.32	2,237.21	2,280.84	-19.47
Technology	630.58	621.68	636.70	-50.60
Telecommunications	1,687.33	1,681.82	1,701.09	-40.43
Utilities	3,002.83	2,994.80	3,029.53	-21.99
Health Care	763.04	759.78	778.63	-83.09
Total ATHEX shares index	419.87	-	-	-38.47

Source: ATHEX

TABLE 5. Sectoral Share-price Indices in the ATHEX, per month, 2010

Month	Gen. Index	Banks	Insurance	Financial Services	Industrial Products	Retail	Construction & materials	Utilities	FTSE/ ATHEX 20	FTSE/ ATHEX Mid CAP	FTSE/ ATHEX Sm Cap
Jan.	2,048.3	2315.15	1533.2	3950.42	3053.74	2943.66	3193	3947.27	1037.14	2386.15	387.71
Feb.	1,913.1	2112.75	1470.21	3398.81	3344.58	2729.25	2871.81	3292.06	952.75	2272.44	360.53
Mar.	2,067.4	2258.41	1665.45	3325.4	3545.00	2732.71	3062.16	3807.66	1025.69	2385.97	368.16
Apr.	1,869.9	1962.03	1696.90	2914.84	3258.78	2267.61	2899.91	3549.25	922.08	2025.74	323.25
May	1,550.7	1534.80	1571.01	2143.45	3140.61	2081.52	2280.93	3520.47	744.88	1801.62	289.41
Jun.	1,434.2	1363.58	1494.83	2045.47	3073.26	1944.20	2267.21	3267.41	674.76	1724.36	284.56
Jul.	1,681.9	1845.44	1816.80	2635.91	3563.84	2064.33	2556.04	3463	826.85	1974.41	333.55
Aug.	1,555.4	1659.85	1802.43	2153.08	3182.78	1971.21	2251.85	3165.94	757.57	1776.77	312.4
Sep.	1,471.0	1481.52	1653.43	1937.38	3130.04	1598.15	2251.23	3151.12	707.05	1639.07	273.55
Oct.	1,547.4	1558.42	1759.31	2062.82	3326.66	1853.48	2351.39	3313.5	747.98	1717.57	279.79
Nov.	1,419.6	1292.98	1513.04	1653.17	3087.42	1533.96	2141.62	2926.9	671.33	1439.6	241.39
Dec.	1,413.9	1250.99	1846.51	1788.73	3368.28	1721.42	2380.78	3002.83	663.10	1498.57	254.41
Max '10	2067.49	2315.15	1846.51	3950.42	3563.84	2943.66	3193	3947.27	1037.14	2386.15	387,71
Min '10	1413.94	1250.99	1470.21	1653.17	3053.74	1533.96	2141,62	2926.9	663.10	1439.6	241,41

Source: ATHEX. End of month closing prices

Transaction Value

In 2010, the total annual value of transactions in the securities market of the ATHEX amounted to 35,131.16 mn euro, sustaining a major year-on-year decrease of 30.93 % (Table 6). This figure stood at 50,866.82 million euro in 2009, 78,174.41 million euro in 2008 and 121,279.89 million euro in 2007. The average daily value of transactions stood at 145 million euro, as compared to 205.1 million euro in 2009 and 316.5 million Euros in 2008.

The total annual value of transactions on big capitalization stocks in the ATHEX reached 34,235.72 million euro in 2010, accounting for 97.5% of the total annual value of transactions in the ATHEX, as compared to 95.9% in 2009 and 96.7% in 2008. In contrast, the annual value of transactions on middle and small capitalization stocks accounted for 1.9% of the total value of transactions performed during the year, as compared to 3% in 2009 and 2.3% in 2008. The annual value of transactions on shares of the low dispersion and specific features category, and on shares under supervision, accounted for 0.43% of the total annual value of transactions for 2010, as compared to 0.9% in 2009. Finally, the annual value of transactions on Exchange Traded Fund shares accounted for just 0.15% of the total annual value of transactions (Table 6).

TABLE 6. Value of transactions in the ATHEX, 2010 (million €)

Month	Big Capitalization	Medium and Small Capitalization	Low Dispersion and Spec. features	Under Supervision	Exchange Traded Funds	Grand Total [1]
Jan.	4,284.59	74.71	6.56	2.46	5.93	4,376.73
Feb.	3,855.71	56.13	15.59	2.55	2.65	3,934.73
Mar.	3,734.96	97.68	19.14	6.17	10.72	3,869.42
Apr.	4,620.60	59.35	7.24	3.01	10.72	4,702.56
May	3,143.12	42.57	5.55	3.01	4.46	3,200.01
Jun.	2,131.08	53.38	14.56	11.96	6.43	2,217.94

Jul.	2,215.89	58.16	8.8	1.35	1.98	2,287.39
Aug.	1,671.11	39.7	5.43	1.66	0.25	1,719.05
Sep.	2,349.95	37.7	14.79	1.78	1	2,406.39
Oct.	2,523.57	53.9	6.98	1.63	2.75	2,589.37
Nov.	2,121.13	36.76	4.33	0.89	4.65	2,170.29
Nov.	2,121.13	36.76	4.33	0.89	4.65	2,170.29
Dec.	1,584.01	63.14	4.98	2.11	2.55	1,657.28
Total 2010	34,235.72	673.18	113.95	38.58	54.09	35,131.16
Total 2009	48,797.86	1,548.76	332.07	97.93	71.19	50,866.82

Source: ATHEX.

Note. [1] The Grand Total includes fixed income securities.

Market Capitalization of Listed Companies

At the end of 2010, the total market capitalization of ATHEX-listed shares amounted to 53.9 bn euro, decreased by 35.3% year-on-year, as compared to a 22.3% y-o-y increase in 2009, when it had reached 83.4 bn euro (Table 7). The decrease in total market capitalization during 2010 was the result of a drop in prices , despite new issues by listed companies that raised, by means of rights issues and convertible bond issues, total funds of 3.87 billion euro.

In December 2010, the market capitalization of big capitalization companies amounted to 45,591.83 million euro as compared to 70,440 million euro in December 2009, reduced by 54.5% year-on-year, as compared to a 27.4% decrease in 2009. The capitalization of middle and small capitalization companies amounted to 3,715.71 million euro as compared to 5,588.6 million euro at the end of the previous year, decreased by a large 66.5% year-on-year, and accounting for 6.8% of total listed company capitalization, as compared 6.7% in 2009 and 9.8% in 2008. The market capitalization of the low dispersion and specific features category stood at 4,081.96 million euro at the end of 2010 as compared to 6,954.4 million euro at the end of 2009 and accounted for 7.5% of total market capitalization (as compared to 8.3% in 2009). Finally, the market capitalization of shares under supervision rose to 1% of total market capitalization, due to the increased number of companies included in this category, from 0.6% in 2009 and 0.4% in 2008.

At the end of 2010 Banks accounted for 33.66% of total market capitalization, as compared to 40.5% in 2009 and 32.8% in 2008, followed by Soft Drinks, whose share in ATHEX market capitalization rose to 14.14% from 7% at the end of 2009 and 5.6% at the end of 2008, Gambling with 8.43% at the end of 2010 as compared to 6.6% at the end of the previous year and 10.4% at the end of 2008, Fixed Line Telecommunications with 5.57% at the end of 2010, down from 6% in 2009 and 8.6% in 2008, conventional Electricity with 4.62% as compared to 3.6% in 2009 and Oil & Gas with 3.38% as compared to 2.9% in 2009.

By the end of 2010, listed company participation to total market capitalization in the ATHEX was the following: Coca Cola HBC was the company with the largest capitalization, accounting for 13.14% of total market capitalization in the stock and ETF markets of the Athens Exchange, as compared to 7% at the end of 2009. It was followed by the National Bank of Greece with a 10.72% as compared to a 13.2 % share in 2009, OPAP SA (7.65%), the Hellenic Telecom Organization (OTE) (5.57%), the Public Power Corporation (4.62%) and the Bank of Cyprus (4.28%). The top-ten shares in terms of market capitalization as at 31.12.10 accounted for 59.3% of total market capitalization (as compared to 55.7% at the end of the previous year) and their value stood at 31.9 billion euro (as compared to 46.5 billion euro at the end of 2009).

TABLE 7. Market Capitalisation of ATHEX Listed Companies, 2010.

Month	Large	Medium and Small	Low Dispersion	Under Supervision	Grand Total

	Capitalization	Capitalization	and Specific Features		
Jan.	65,689.56	5,177.33	6,285.83	415.87	77,568.59
Feb.	61,300.97	4,849.02	7,238.39	402.88	73,791.26
Mar.	65,804.92	5,029.58	7,509.74	585.33	78,929.57
Apr.	59,471.06	4,661.10	6,955.93	376.50	71,464.59
May	49,485.38	4,175.59	6,507.08	313.40	60,481.45
Jun.	44,925.86	3,963.36	6,406.49	303.99	55,599.70
Jul.	53,842.93	4,376.46	5,702.18	360.63	64,282.20
Aug.	49,809.70	4,246.23	5,366.70	371.09	59,793.72
Sep.	48,959.56	3,745.49	4,431.34	573.05	57,709.44
Oct.	51,219.52	3,889.11	4,364.86	522.17	59,995.66
Nov.	46,325.79	3,652.26	3,884.81	464.51	54,327.37
Dec.	45,591.83	3,715.71	4,081.96	568.89	53,958.39

Source: ATHEX. Share Information.

In 2010, the average market liquidity for the year decreased to 0.19% from 0.22% in 2009 (Table 8). As far as individual categories of stock are concerned, the average annual liquidity of the big capitalization category fell to 0.23% from an average of 0.27% in 2009, and the average liquidity of the middle and small capitalization category rose to 0.05% (from 0.04% in 2009). At the end of 2010, the total market capitalization of ATHEX-listed shares and ETFs as a percentage of GDP fell to 25.8% from 35.8% in 2009 and 86.7% in 2007. In European exchanges, the relevant percentage rose to 66.9% from 62.8% in the previous year, while the maximum ratio of the past five years was 93.3% in 2007.

TABLE 8. Monthly Liquidity Index[1] in the ATHEX, 2010.

Month	Big Capitalization Category	Medium & Small Capitalization Category	Special Features Category	Total markets
Jan.	0.31	0.06	0.0040	0.2641
Feb.	0.31	0.05	0.0056	0.2629
Mar.	0.24	0.05	0.0143	0.2065
Apr.	0.35	0.06	0.0048	0.2993
May	0.28	0.04	0.0051	0.2324
Jun.	0.19	0.06	0.0063	0.1628
Jul.	0.19	0.06	0.0063	0.1619
Aug.	0.14	0.04	0.0043	0.1212
Sep.	0.20	0.04	0.0129	0.1700
Oct.	0.23	0.05	0.0051	0.2019
Nov.	0.18	0.06	0.0054	0.1600
Dec.	0.14	0.07	0.0046	0.1239

Source: ATHEX
Note. 1. The Liquidity Index is the ratio of average daily value of transactions to average market capitalization for the specific period.

TABLE 9. Market Capitalization in the ATHEX and in Europe (% of GDP), 31.12.10

Year	ATHEX Market Capitalization (% of GDP)	Market Capitalization in Europe (% of GDP)	Market Capitalization of ATHEX-listed shares (mn €)
2010	25.8	66.9	53,958.39
2009	35.8	62.8	83,447,43
2008	28.9	61.3	68,121,25
2007	86.7	93.3	195,502,47

2006	*75.2*	*85.9*	*157,928.71*
2005	*63.2*	*79.1*	*116,693.2*

Source: ATHEX.
European Stock Market Average

Net profits and Dividends of ATHEX-Listed Companies

The results of ATHEX-listed companies reflect, among others, the recession, reduced demand and scarce liquidity that have hit the Greek economy. The estimates for 2010 show that loss-making companies prevail over profitable ones, with severe pressures on profit margins, while the downward trend of net profits has worsened. The twenty best-performing listed companies in the first 9-months of 2010 showed total profits of 4.15 billion euro. The majority of these companies includes banks, export-oriented companies or state-controlled companies, or companies enjoying monopoly status.

At the end of 2010, the weighted price to after tax earnings ratio (P/E) for the entire capital market stood at 21.4, as compared to 21.7 in 2009 and 12.5 in 2008 (Table 10), while the weighted profit distribution rate of ATHEX-listed companies remained unchanged at 5.4%.

As far as Banks —a sector which accounts for 41% of total listed company capitalization and was severely hit by the financial crisis of the previous year and the deterioration of Greece's public finances in 2010— are concerned, weighted P/E rose to 12.9 in December 2010 from 19.5 in 2009 and 6.6 in 2008, while the weighted profit distribution rate fell to 5.6 in December 2010, from 5.8 in December 2009 and 9.5 in the same month of 2008.

TABLE 10. Price to Earnings (P/E) ratio and listed company returns, 2001-2010

End of year	*Weighted P/E (after taxes)*	*Weighted Profit Distribution Rate*
2010	*21.4*	*5.4*
2009	*21.7*	*5.4*
2008	*12.5*	*7.3*
2007	*27.7*	*2.9*
2006	*30.5*	*2.4*
2005	*29.4*	*3.6*
2004	*26.7*	*4.0*
2003	*28.0*	*4.8*
2002	*22.6*	*6.3*
2001	*24.9*	*4.1*

Source: ATHEX.

The Fixed-income securities market.

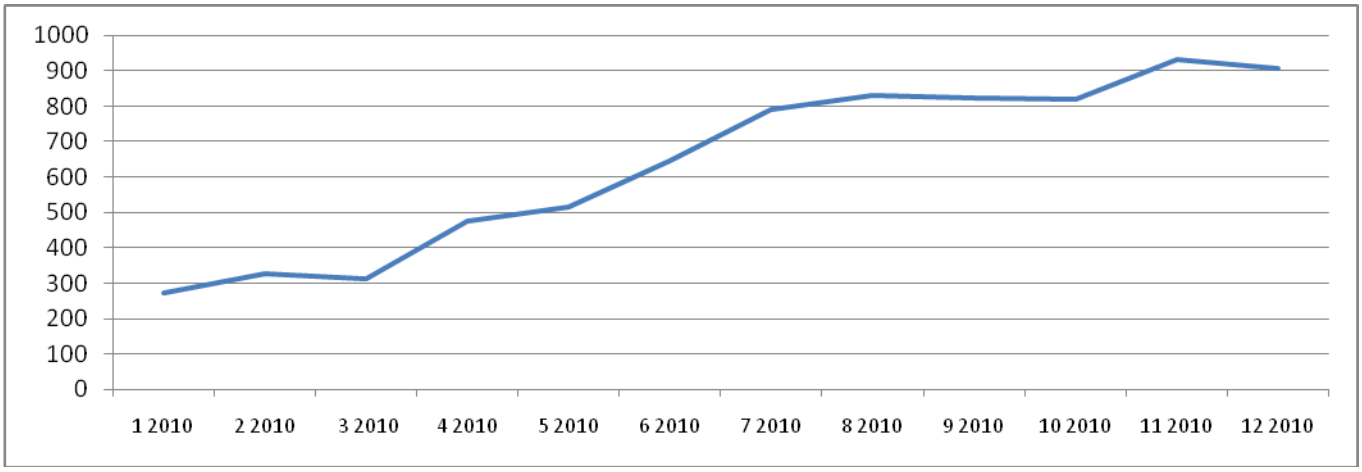
As a result of the financial crisis that broke out in 2008, and the high borrowing requirements of the Greek state, in conjunction with the placement of the Greek economy "under revision" and "downgrade" by credit rating agencies, price volatility remained high in the Greek bond market during 2010. The deterioration of Greece's public finances and macroeconomic aggregates, combined with the uncertainty that prevailed in global markets regarding the sustainability of the public debt, as well as global growth rates, led , among others, to an increase of the state's borrowing costs. During the largest part of 2010, Greek government bond yields rose rapidly, a fact also reflected on the increased spreads between the Greek and the German 10-year reference bonds (Figure 4).

The prices of individual Greek Government bond maturities showed mixed trends, depending on the maturity. The slope of the yield curve as reflected by the movement of the spread of the three-year over the 30-year bond remained inverted, especially during the second half of 2010, with the spread reaching -501 basis points at the end of the year, indicative of investor cautiousness regarding placements in long-term government debt. Based on end of month yield data, in June 2010 this spread reached -186 basis points, from 45 basis points at the end of May 2010, when the slope of the yield curve was positive. Based on the above data, the slope was also positive in March and February 2010. As far as the comparison of reference bond prices with those of the previous year is concerned, the price of the 3-year bond plunged at the end of December 2010 to 81.37 from 100.85 at the end of 2009, the price of the 10-year bond fell to 66.01 from 102.15 at the end of 2009, the price of the 30-year bond also fell to 52.91 from 78.05 at the end of December 2009, while the price of the 5-year bond stood at 74.85 at the end of December 2010.

Based on new debt data for the period January-September 2010, the average weighted maturity of Greek government bonds stood at 4.2 years, as compared to 5.66 in 2009 and 13.25 in 2007. The auctions of new Greek Government bonds were reduced since May 2010, with the exception of certain Treasury bill issues, since the State is being financed by the Support Mechanism.

The value of transactions in the Electronic Secondary Treasury Bonds Market (IDAT) was substantially reduced throughout 2010. From May 2010 and till the end of 2010 it remained below 2 billion euros, and fell to 268 million euros in December 2010 as compared to 17.5 billion euros in December 2009, while the average daily value of transactions stood at 11.7 million euros in December 2010 as compared to 795 million euros during the same month of 2009.

FIGURE 4. Spread of the Greek over the German 10-year bond (bps), 2010



Source: Bank of Greece

The Derivatives Market

In 2010, the financial derivative products market of the Athens Exchange was marked by a marginal drop in trading activity, a decrease in the market share of stock futures and the decrease of market maker over client participation.

In 2010, the average daily volume of transactions on traded futures and options amounted to 31,656 contracts, as compared to 31,693 contracts in 2009, 28,804 contracts in 2008 and 26,123 contracts in 2007. The highest activity was observed in December, with an average daily volume of transactions of 42,706 contracts. The largest decrease in the average daily volume of transactions concerned stock futures (6.84%), while the largest increase in the average daily volume of transactions concerned stock options (53.85%). Derivative products whose underlying instrument is the FTSE/ATHEX-CSE index started being traded in April.

In 2010, there was an increase in the average daily volume of transactions of two derivative products whose underlying instrument is the FTSE/ATHEX 20. This increase reached 23.97% in the case of futures and 57.79% in the case of options. The average daily volume of transactions on two derivative products whose underlying instrument is the FTSE/ATHEX 20 index accounted for 42.55% of the total average daily volume of transactions for the year 2010, as compared to 35.06% of the total average daily volume of transactions in 2009, 45.31% in 2008 and 48.31% in 2007 (Figure 5).

The average daily volume of transactions on all stock futures fell from 20,311 contracts in 2009 (14,913 in 2008) to 18,921 contracts in 2010, decreased by 6.84% year-on-year. In 2010, the largest average daily volume of transactions concerned the future of the National Bank of Greece (4,881 contracts). The decrease in the volume of transactions on all stock futures reduced the share of this type of product in the total average daily volume of transactions in the derivatives market, which stood at 56.22% in 2010, as compared to 64.09% in 2009 and 51.77% in 2008. Similarly, the average daily volume of transactions on all stock options rose to 420 contracts in 2010, from 273 contracts in 2009 and 734 contracts in 2008.

The total volume of transactions on Stock Repos rose to 1,010,882 contracts in 2010, from 988,765 contracts in 2009 and 1,003,801 contracts in 2008, while the volume of transactions on Stock Reverse Repos fell to 1,465,113 contracts in 2010 from 1,482,219 contracts in 2009 and 1,339,537 contracts in 2008. Finally, the total volume of transactions on Special Type Repurchase Agreements decreased by 17.15%, to 402,524 contracts in 2010 from 485,845 contracts in 2009 and 427,170 contracts in 2008.

In 2010, there was an increase in the number of investors activated in the derivatives market. The number of end investor-client accounts amounted to 40,780 in December 2010, as compared to 39,237 accounts in December 2009 and 34,915 accounts in 2008, registering an annual increase of 3.93% (Table 11). The average monthly number of active accounts stood at 3,572 in 2010, as compared to 3,535 in 2009 and 3,411 accounts in 2008, and accounted for 8.88% of the total number of accounts in 2010, as compared to 9.54% in 2009 and 10.17% in 2008.

TABLE 11. Intermediation Agencies in the derivatives market, 2010

	Dec. 2010	Dec. 2009	Dec. 2008	Dec. 2007	Dec. 2006
Trading Members	47	50	54	51	54
New members per year	0	0	4	1	3
Member mergers and deletions	-3	-4	-1	-4	4
Clearing Members (ADECH)	32	31	34	35	37
New members per year	2	0	0	0	3
Member mergers and deletions	-1	-3	-1	-2	-2
- Direct Clearing Members	20	19	22	23	24
- General Clearing Members	12	12	12	12	13
Terminals	292	295	291	295	303
API use agreements	35	35	32	29	32
Client Accounts	40,780	39,237	34,915	34,820	31,355
Products	33	32	35	43	54

Source: ATHEX.

The ratio of market maker to client transaction value for all the products traded in the derivatives market was 46:54 in 2010, as compared to 49:51 in 2009, and 38:62 in 2008 (Table 12). Market maker participation in the derivatives market was marginally against market makers as compared with 2009, due to the inclusion of the ratio concerning FTSE/ATHEX-CSE futures, which was in favor of clients (48:52 in 2010). The ratio under consideration also improved in favor of clients in the case of stock futures, and remain unchanged in the case of FTSE/ATHEX-20 futures.

TABLE 12. Distribution of Contracts in the Derivatives market, 2007-2009

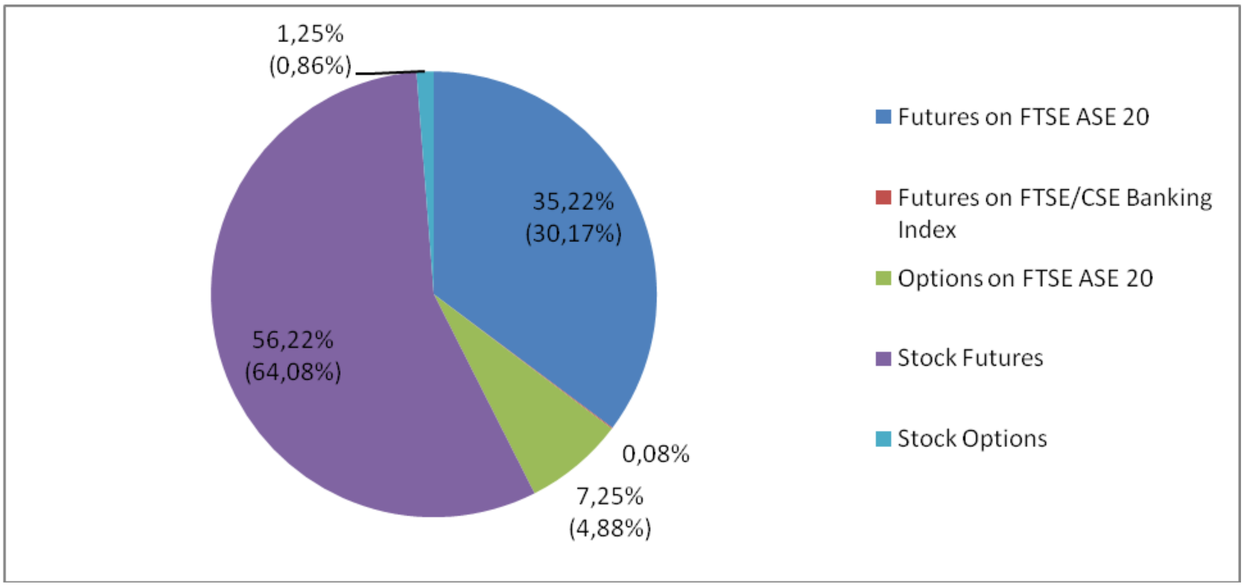
Derivative financial products	***Distribution of Contracts***					
	Average 2010		*Average 2009*		***Average 2008***	
	MM	*Clients*	*MM*	*Clients*	*MM*	***Clients***
FTSE/ATHEX- 20 futures	*42%*	*58%*	*42%*	*58%*	*38%*	*62%*
FTSE/ATHEX Mid 40 futures	*-*	*-*	*-*	*-*	*12%*	*88%*
FTSE/ATHEX-CSE futures	*48%*	*52%*	*-*	*-*	*-*	*-*
FTSE/ATHEX- 20 futures	*50%*	*50%*	*59%*	*41%*	*56%*	*44%*
FTSE/ATHEX- 40 options	*-*	*-*	*-*	*-*	*40%*	*60%*
Stock futures	*45%*	*55%*	*45%*	*55%*	*46%*	*54%*
Stock options	*45%*	*55%*	*50%*	*50%*	*36%*	*64%*
TOTAL PRODUCTS	*46%*	*54%*	*49%*	*51%*	*38%*	*62%*

Source: ATHEX

The comparison of the value of transactions in the derivatives market to the value of transactions in the transferable securities market of the ATHEX in 2010 indicates that the average ratio of the value of transactions on futures and options to the total value of transactions in the underlying market rose to 0.82 in 2010, from 0.62 in 2009 and 0.60 in 2008 (Table 13). An increase was also observed in the average ratio of the value of transactions on all FTSE/ATHEX20 futures and options to the value of transactions on stocks included in this index, which rose to 0.5 in 2010, from 0.36 in 2009, and 0.45 in 2008.

In 2010 the call:put ratio for the total of transactions on index options was in favor of call options on the FTSE/ATHEX-20, reflecting the investors' reserved optimism about the performance of stock markets. More specifically, the value of the ratio regarding the entire volume of transactions on FTSE/ATHEX-20 options rose to 1.34 in 2010 from 0.93 in 2009 and 0.97 in 2008. It should be noted that the ratio showed significant monthly fluctuations during 2010 (maximum value: 1.68 in June; minimum value: 0.95 in January), with the average monthly value of the ratio amounting to 1.32 in 2010 as compared to 0.99 in 2009 and 1 in 2008.

FIGURE 5. Distribution of the Volume of Transactions in the derivatives market per product, 2010



Source: ATHEX.

TABLE 13. Value of transactions in the underlying and future derivative products market, 2010

Month / Year	Value of Transactions on shares to ATHEX Stocks	Value of transactions on futures & options to ATHEX Stocks	Value of transactions on futures & options to FTSE/ATHEX20 stocks.	Value of transactions on share futures and options to stocks
Jan. 2010	92%	51%	39%	6%
Feb. 2010	92%	103%	40%	9%
Mar. 2010	89%	133%	56%	11%
Apr. 2010	91%	85%	44%	6%
May 2010	92%	53%	48%	8%
Jun. 2010	87%	73%	68%	11%
Jul. 2010	89%	54%	49%	8%
Aug. 2010	89%	72%	57%	9%
Sep. 2010	92%	166%	55%	11%
Oct. 2010	92%	44%	33%	8%
Nov. 2010	91%	66%	49%	9%
Dec. 2010	89%	79%	65%	19%
Average 2010	90%	82%	50%	10%
Average 2009	83%	62%	36%	9%
Average 2008	93%	60%	45%	6%

Source: ATHEX.

NEW CORPORATE SECURITY ISSUES

In 2010, the issuing activity of listed companies was reduced as compared to the previous year. Throughout the year no company proceeded to initial public offerings of tradable stock in the Athens Exchange, while in 2009 only one new company raised a mere 10 million euros. In 2010, two companies proceeded to share capital increases due to absorption and through the listing of new shares in the ATHEX, raising a total of 15.5 million euros. In 2009, three companies had proceeded to share capital increases due to absorption and through the listing of new shares in the ATHEX, raising a total of 4.63 million euros. Share capital increases by ATHEX-listed and non-listed companies in 2010 are presented in the following tables and figures.

Issues of shares and convertible bonds through public offerings

In 2010, there were four public offerings of shares and convertible bonds by ATHEX-listed companies. Moreover, four companies raised funds without a public offering (VELL, ALTEC, DIONIC, DIAS) and three ATHEX-listed companies raised funds by contribution in kind (ZENON SA, SCIENCS INTERNATIONAL, CENTRIC). The public offerings of shares were mainly performed by banking companies, with the National Bank of Greece raising 1.8 billion euros, an amount that accounts for 50% of total funds raised in 2010, and Emporiki Bank raised funds that account for 26% of total funds raised by public offerings in 2010.

TABLE 14. Issues of shares and convertible bonds by ATHEX-listed companies through public offerings, 2010

	Company	Trading category	Funds Raised (€)
1	HOL-Hellas Online	Probation	42,502,690.4
2	Vell Group	Medium and Small Capitalization	7,217,683.2
3	MIG Holdings	Big Capitalization	251,712,566.10
4	EMPORIKI BANK	Low Dispersion and Spec. Features	989,421,312.51
5	AUDIOVISUAL	Medium and Small Capitalization	20,010,511.49
6	ASPIS BANK	Medium and Small Capitalization	48,374,403.60
7	ELVIEMEK	Under Supervision	1,346,015.6
8	KLOUKINAS-LAPPAS	Medium and Small Capitalization	9,900,115.20
9	NATIONAL BANK OF GREECE	Big Capitalization	1,815,054,306
10	PLIAS SA	Under Supervision	11,949,684.39
11	SHELMAN SA	Medium and Small Capitalization	10,013,524
12	GENERAL BANK OF GREECE	Big Capitalization	339,733,717.62
13	MOTODYNAMIKI	Medium and Small Capitalization	3,900,000
14	NEL LINES	Under Supervision	97,926,180
	GRAND TOTAL		3,649,062,710.1

Source: HCMC

TABLE 15. Share issues through public offerings 2001-2010

Year	Initial Public Offerings		
	No	Amount (mn €)	% of total.
2010	0	0	-
2009	1	10	0.1
2008	0	0	-
2007	4	500.73	100
2006	2	725.25	100
2005	7	81.9	6
2004	10	95.4	100
2003	14	118.4	8.1
2002	18	92.5	9.6
2001	24	1,075.6	100

Source: HCMC

TABLE 16. Quarterly distribution of share issues through initial public offerings 2008-10

Quarter	Number of issues			Total Funds Raised (mn €)			% of total.			Average weighted subscription		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
1	0	0	0	-	0	-	-	0	-	-	-	-
2	0	0	0	-	0	-	-	0	-	-	-	-
3	0	1	0	-	10	-	-	100	-	-	4.54	-
4	0	0	0	-	0	-	-	0	-	-	-	-
Total for the year	0	1	0	-	10	-	-	100	-	-	-	-

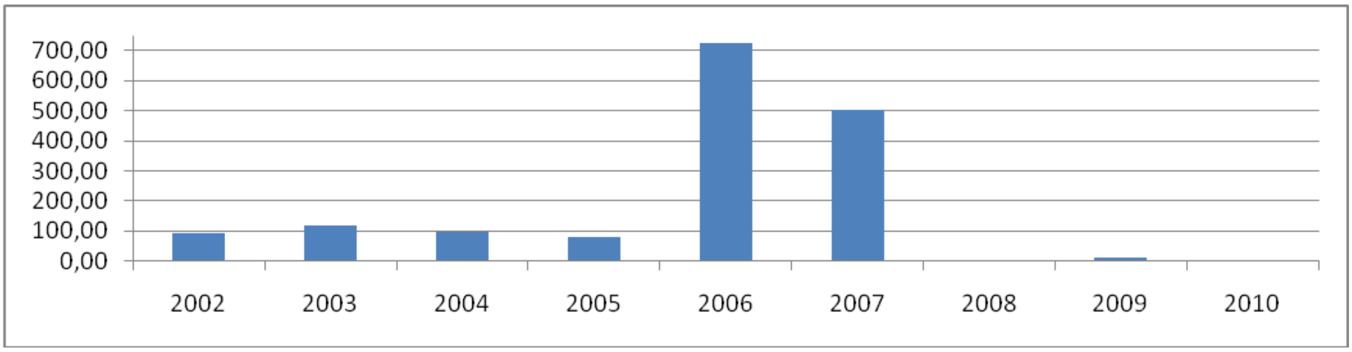
Source: HCMC

TABLE 17. Share capital increases by ATHEX-listed companies, 2008-2010.

Year	Number of Share Capital Increases	Total Funds Raised (mn €)
2010	17	2,417
2009	21	4,663.8
2008	16	664.08

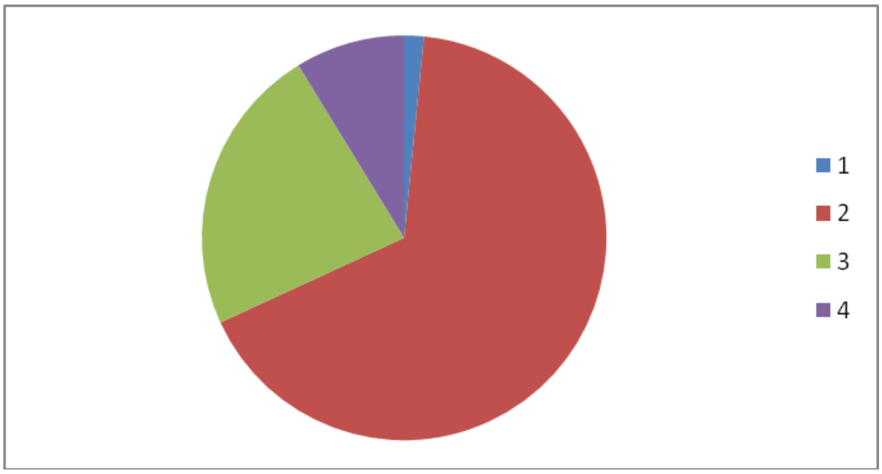
Source: HCMC

FIGURE 6. Capital raised from IPOs, 2002-2010



Source: HCMC

FIGURE 7. Public offering of shares without listing, 2010

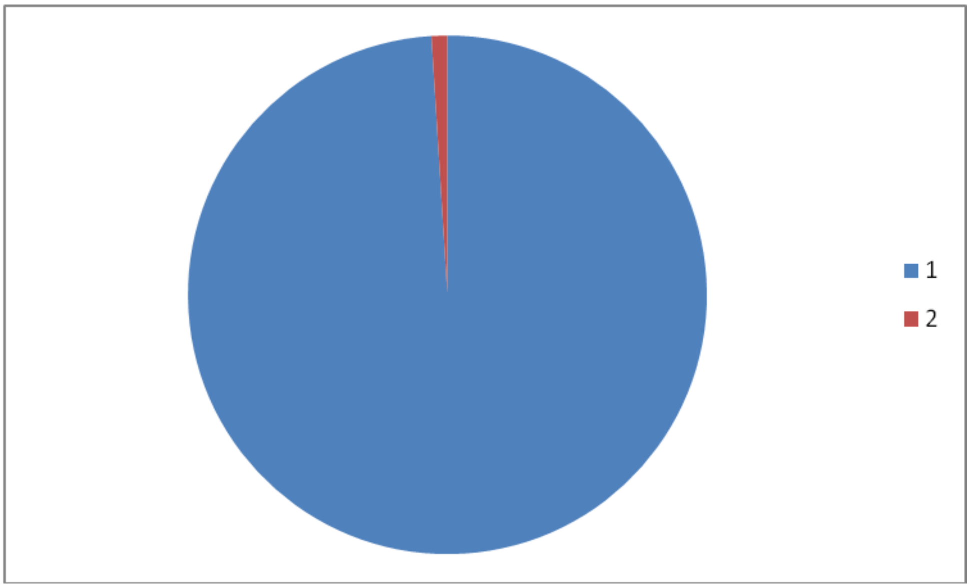


Source HCMC.
Legend:
1. PAOK FC

2. OLYMPIAKOS FC
3. PANATHINAIKOS FC
4. REA Hospital SA

In 2010, there were four public offerings of shares that were not-listed for trading in the ATHEX. These offerings included 26,091,000 euros raised by OLYMPIAKOS FC, 9,060,454.8 euros raised by PANATHINAIKOS FC, 3,432,768 euros raised by REA Hospital SA and 617,970 euros raised by PAOK FC. The total amount of funds raised reached 39,202,192.80 euros.

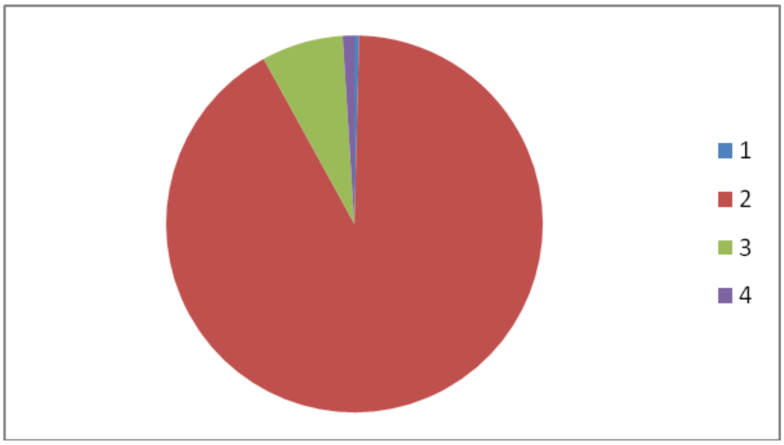
FIGURE 8. Funds raised in the ATHEX and OTC, 2010



Source HCMC.
Legend:
1. *Public offerings without listing in the ATHEX.*
2. *Share capital increases through new issuance and convertible bonds issuance (companies listed in ATHEX).*

Although the number of companies that performed share capital increases in 2010 was reduced since 2009, the total value of funds raised reflects an ongoing corporate restructuring effort in the face of the current deterioration, the improvement of the companies' investment programs, and investor interest for placements in capital market securities.

FIGURE 9. Funds raised in the ATHEX and OTC, 2010



Source: HCMC

Legend:

1. *Share capital increases by absorption*
2. *Share capital increases through the issue of new shares*
3. *Funds raised through convertible bonds*
4. *Funds raised by public offering without listing in the ATHEX.*

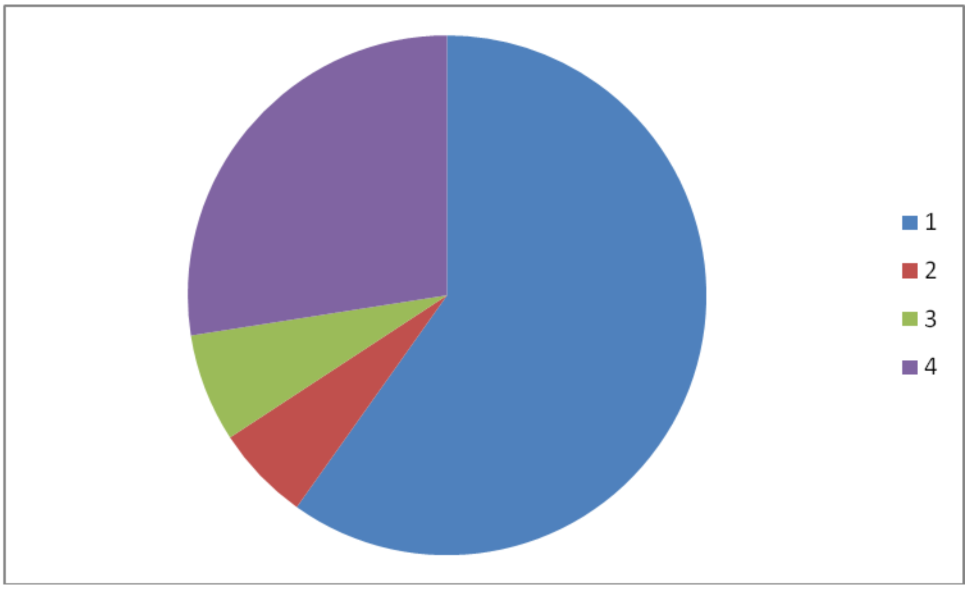
The quarterly distribution of share capital increases by ATHEX-listed companies in 2010 (Table 18) is the following: In the first Quarter there were 8 share capital increases with a total value of 1.4 billion euros, which absorbed 37.4% of the total funds raised throughout the year; in the second Quarter there were no share capital increases; in the third Quarter there were 3 share capital increases with a total value of 1.82 billion euros, which absorbed 47.1% of the total funds; and in the fourth Quarter there were 11 share capital increases with a total value of 603 billion euros, which absorbed 15.5% of the total funds raised throughout the year.

TABLE 18. Quarterly distribution of share capital Increases by ATHEX Listed Companies, 2010

Q.	Number of issues		Funds Raised (€)		% of total.	
	2009	*2010*	*2009*	*2010*	*2009*	*2010*
1st	*8*	*8*	*1,500,651,868*	*1,448,758,804*	*31.5%*	*37.4%*
2nd	*2*	*0*	*850,197,835*	*0*	*17.8%*	
3rd	*7*	*3*	*1,142,406,046*	*1,824,954,421*	*24.0%*	*47.1%*
4th	*8*	*11*	*1,273,146,065*	*603,420,594*	*26.7%*	*15.5%*
Total	***25***	***22***	***4,766,401,813***	***3,877,133,819.39***		

Source: HCMC

FIGURE 10. Funds raised through share capital increases per trading category, 2010



Source: HCMC
Legend:

1. *Big Capitalization Companies*
2. *Small and Medium Capitalization Companies*
3. *Under supervision*
4. *Low Dispersion*

The Fixed-income securities market.

In 2010, four ATHEX-listed companies issued convertible bonds. In the big capitalization category, MIG Holdings raised 251,712,566.10 euros through convertible bonds, an amount that accounts for 91% of total convertible bond issues for the year, while in the middle and small capitalization category, Vell Group, DIONIC and DIAS raised 7,217,683.20 euros, 1,500,000 euros and 15,000,000 euros respectively. In 2010, these issues accounted for 37.63% of all the funds raised by ATHEX-listed companies.

Corporate restructuring in the capital market

In 2010, corporate restructuring of ATHEX-listed companies through mergers was substantially reduced as compared to 2009; in contrast, there was an increase in the spin-offs and acquisitions of business sectors. In 2010, there was one merger by absorption among a listed company and 2 other listed companies from the Clothing & Accessories sector. No such corporate restructuring had taken place in 2009 (Table 19A).

In 2010, mergers among listed and non-listed companies were reduced as compared to 2009, as 8 companies absorbed 13 non-listed companies (Table 19B) while in the previous year 16 listed companies had absorbed 26 non-listed companies (including the acquired business sectors of non-listed companies). Of the acquirer listed companies, two came from the Clothing & Accessories sector and the remaining companies came from different sectors (Business Support Services, Specialty Chemicals, Food Retailers & Wholesalers, Farming & Fishing, Durable Household products, Aluminum and Food).

Corporate restructuring through spin-offs and acquisitions of business sectors were significantly increased. More specifically, 9 business sectors were spun-off from ATHEX-listed companies in 2010 and were acquired by 12 non-listed companies (Table 19C), as compared to 5 spin-offs in 2009. The spin-offs and acquisitions of business sectors that took place in 2010 concerned one company from each of Specialty Chemicals, Banks, Specialty Retailers, Computer Services, Clothing & Accessories, Publishing, Nonferrous Metals, Food, and Investment Services. As at 31.12.10, out of a total of 273 companies listed in the ATHEX, 222 companies (81%) comprised Groups, as compared to 232 groups (82%) out of a total of 284 companies as at 31.12.09.

In 2010, the acquisitions by listed companies were significantly reduced as compared to 2009, as shown by their official corporate announcements in the ATHEX Daily Bulletin and the press releases posted on the ATHEX website. More specifically, 26 listed companies acquired an equal number of companies, (TABLE 20) while in 2009 25 listed companies had acquired 30 companies of which 1 was listed and the others non-listed companies. Most acquisitions were made by listed companies from the general sectors of Food & Beverage (4), Industrial Goods and Services (3), Personal & Household Goods (3) , followed by listed companies from the general sectors of Construction & Materials (2), Chemicals (2), Oil & Gas, (2) Health Care (2), Financial Services (2), Basic Resources (2), Technology (1), Media (1), Retail (1), Travel & Leisure (1), and Real Estate (1).

TABLE 19. Company mergers and absorptions in the capital market, 2010

A.	A. Mergers among ATHEX listed Companies, 2010			
No	ACQUIRER	SECTOR	TARGET COMPANY	SECTOR
1	HELLENIC DUTY FREE SHOPS SA	Specialty Retailers	FOLLI-FOLLIE SA ELMEC SPORT SA	Clothing & Accessories

B.	Mergers among listed and non-listed companies, 2010		
No	ACQUIRER	SECTOR	TARGET COMPANY
1	INFORM P. LYKOS SA	Business Support Services	EKTIPOTIKI VORIOU ELLADOS S.A.
2	NAFPAKTOS TEXTILE INDUSTRY	Clothing & Accessories	POLARIS SA
3	DRUCKFARBEN HELLAS SA	Specialty Chemicals	IKON SA
4	DIAS AQUA CULTURE SA	Farming & Fishing	IPPOCAMBOS AQUACULTURE SA SEA FARMING CENTER OF POROS SA
5	DIAS AQUA CULTURE SA	Farming & Fishing	PELAGOS ACUACULTURE SA FRUTTI DI MARE SA
6	DIAS AQUA CULTURE SA	Farming & Fishing	PARKO PERDIKA II FISHFARMING
7	YALCO-CONSTANTINOU SA	Durable Household products	OMNISHOP SA EXCEL SA
8	ELFE SA (ex FASHION BOX SA)	Clothing & Accessories	MEDIMEK SA
9	ALUMIL ALUMINUM INDUSTRY SA	Aluminum	ALUNEF SA
10	KRETA FARM SA	Food Products	CRETA FARM INTERNATIONAL HOLDING SA

3rd	Listed company business sector spin-offs and acquisitions by non-listed companies, 2010		
No	LISTED COMPANY	BUSINESS SECTOR	COMPANY WHICH ACQUIRED THE SECTOR
1	THRACE PLASTICS Co	Specialty Chemicals	DON & LOW HELLAS SA
2	NATIONAL BANK OF GREECE	Banks	ETHNIKI PAN-GEA SA
3	MOTODYNAMIKI	Specialty Retailers	MOTODIKTYO SA
4	INFORMER SA	Computer Services	INFORMER BUSINESS SYSTEMS INTEGRATION SA
5	FASHION BOX SA	Clothing & Accessories	BLUE BOX SA
6	PEGASUS PUBLISHING SA	Publications	RODON PUBLISHING SA
7	HALKOR SA	Nonferrous Metals	FITCO SA (brass rod and pipe drawing sector)
8	VIVARTIA SA	Food Products	CHIPITA SA (Bakery and Confectionary) UNCLE STATHIS SA (Frozen Food Products) DELTA SA (Dairy products and beverages) GOODY'S SA (catering)
9	HELLENIC EXCHANGES SA	Investment Services	ATHENS EXCHANGE CLEARING HOUSE (clearing)

PART THREE

CAPITAL MARKET INTERMEDIARIES

INVESTMENT FIRMS

General Overview

In 2010, seventy one investment firms were operating in the Greek market. During the year, the HCMC granted operating licenses to three investment firms and granted license expansion to eight (8) investment firms. Moreover, the HCMC revoked the operating licenses of one investment firm and recalled the operating license in regard to specific investment services for ten investment firms. Moreover, the HCMC approved the eligibility of new Investment Firm board members in seventy cases, the eligibility of an Investment Firm manager in fifteen cases, the acquisition of qualifying holdings in Investment Firms in seven cases, and the offering of qualifying holdings in Investment Firms in six cases. Finally, in 2010 one Investment Firm was absorbed by another Investment Firm and one Investment Firm was absorbed by a MFMC. In 2010, the Athens Exchange Members' Guarantee Fund was set to approximately 106.11 million euros, including Investment Firms-ATHEX members and certain credit institutions-ATHEX members.

Trading activity

The erosion of investor sentiment continued during 2010, thus leading to reduced trading activity in the ATHEX. The total value of transactions (on stocks and bonds) of all companies-members of the ATHEX (Investment Firms, Credit Institutions and remote members) decreased to 70.27 bn euros from 101.74 bn euros in 2009, reduced by 30.93% as compared to a 34.93% year-on-year reduction in 2009 (Figure 11). The share of the five investment firms-ATHEX members with the largest value of transactions as a percentage of the total value of transactions fell to 52.09% from 57.05% in 2009, while the top ten firms-ATHEX members executed 70.84% of the total value of transactions as compared to 73.71% in 2009. In 2010, seven investment firms-ATHEX members-subsidiaries of credit institutions were operating, and the total value of transactions executed by such companies stood at 30.93 bn and accounted for 44.02% of the total value of transactions executed by all ATHEX members. Moreover, in 2010 eighteen remote members were active in the ATHEX, with a total value of transactions that accounts for 19.09% of the total value of transactions executed by all ATHEX members.

TABLE 20. Transactions by firms ATHEX-members 2007-2010 (million €)

ATHEX member transactions	2007	2008	2009	2010
Value of Stock Transactions	242,532.92	156,297.73	101,702.70	70,238.32
Value of Bond Transactions	26.78	57.20	38.01	31.28
Total Transaction Value	242,559.70	156,354.93	101,740.72	70,269.60
Share (%) of top-5 ATHEX members	64.4	65.33	57.05	52.09

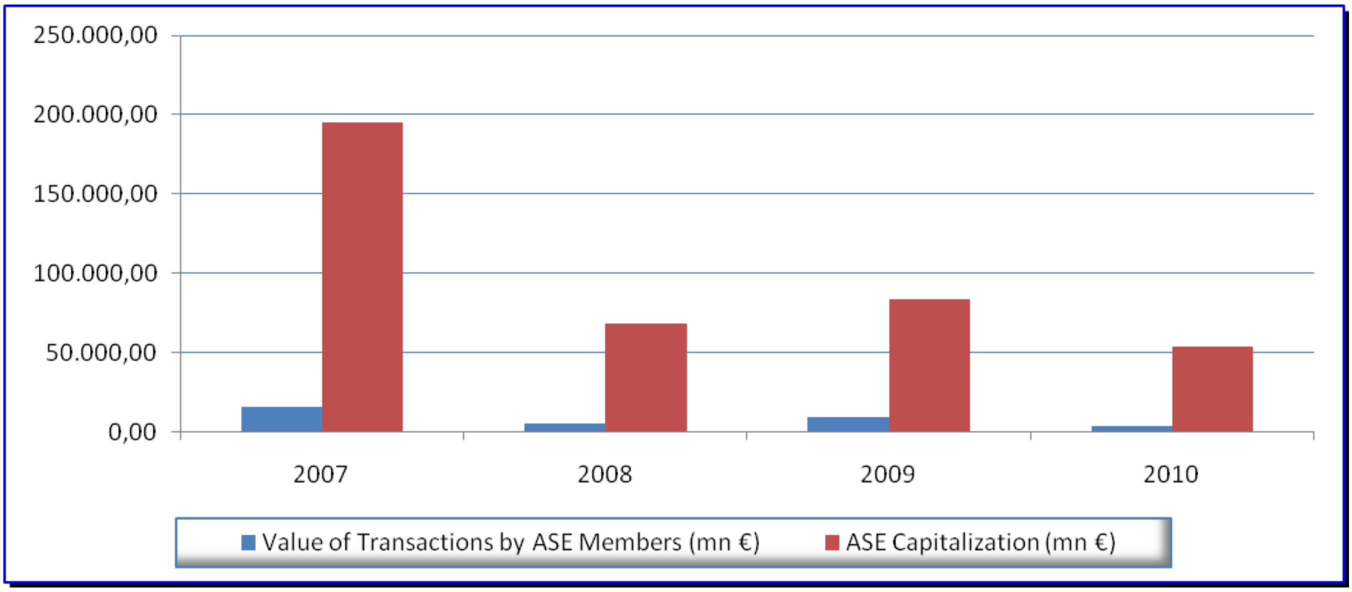
Source: ATHEX

TABLE 21. Securities Markets, 2010

Medium Capitalization since 04.01.10 (million €)	65,395.34
Average value of transactions since 04.01.10 (thousand €)	139,347.27
Change in daily capitalization since 31.12.09	-35.34%
Year-on-year change of average value	-32.04%

Source: ATHEX

FIGURE 11. Value of transactions by ATHEX members and ATHEX market capitalization, 2007-2010



Note: The total value of transactions by ATHEX members and the market capitalization of the ATHEX refer to December of each year.
Source: ATHEX.

Provision of credit by Investment Firms-ATHEX members

In 2010, there was a decrease in the value of credit extended by investment firms-ATHEX members to their clients for the purchase of securities (margin account trading). Table 22 presents the development of margin account trading for the year 2010, according to data submitted by investment firms-ATHEX members to the Hellenic Capital Market Commission on the last trading day of each month. Out of the investment firms-ATHEX members that submitted the relevant notification to the Commission, an average of 47 firms became active in this field. The average number of active margin account contracts rose to 15,374 from 14,898 in 2009. Total average debit balances in margin accounts decreased from 152.8 million euro in 2009 to 140.1 million euro in 2010, and reached their highest level in January 2010 (160.5 million euro). The average value of security portfolios decreased from 952.4 billion euros in 2009 to 834.8 billion euros.

TABLE 22. Margin Account Trading, 2010

Month	Announcement of Investment Firms for the provision of credit	Number of Investment Firms actually providing credit	Number of active open-end credit agreements .	Number of active short term credit agreements[2]	Debit Balances	Security Portfolio Valuation
Dec.	52	47	15,664	50,558	116,379,175.16	781,353,819.41
Nov.	52	47	15,711	49,762	122,828,730.82	643,645,476.44
Oct.	52	47	15,733	49,479	133,524,089.80	747,605,862.61
Sep.	52	47	16,064	49,048	134,271,548.66	677,631,358.98
Aug.	52	47	16,001	47,438	141,231,350.05	736,861,398.19
Jul.	53	47	15,937	47,250	135,037,901.32	757,084,162.01
Jun.	53	47	13,108	46,813	131,289,951.49	791,719,695.98
May	53	47	14,190	46,387	150,579,562.56	762,351,055.75
Apr.	53	47	15,188	45,991	159,458,342.27	1,027,871,042.98
Mar.	53	47	15,691	45,544	151,480,881.75	1,065,460,945.27

Feb.	53	47	15,661	45,049	145,567,731.54	978,333,853.30
Jan.	53	47	15,535	44,694	160,506,051.19	1,048,368,098.00
A.V.	53	47	15,374	47,334	140,179,609.72	834,857,230.74

Source: HCMC

Note. 1. Does not include data about credit institutions-ATHEX members.

2. This column concerns short term credit, in accordance with HCMC Rule 8/370/26.01.2006.

COLLECTIVE INVESTMENT MANAGEMENT FIRMS

Developments in the Greek mutual fund market

In 2010, the Greek mutual fund market saw a substantial contraction of total mutual fund net assets, as outflows hit almost all categories of mutual funds. The total number of Mutual Fund Management Firms (MFMFs) remained unchanged in 2010 as compared to the previous three years, i.e. 22, as compared to 26 firms in 2009. The total number of mutual funds under management fell to 303 in 2010, as compared to 306 in 2009, 352 in 2008 and 329 in 2007.

In 2010, the Hellenic Capital Market Commission amended one of its regulations: HCMC rule 1/539/8.2.2010 (Gazette B 217/2.3.2010) amends HCMC rule 1/317/11.11.2004 on the "Classification of mutual funds according to Law 3283/2004" (Gazette B 1746/26.11.2004).

TABLE 23. Net assets and Number of Mutual Funds, 2007-2010

Classification	31.12.2010		31.12.2009		31.12.2008		31.12.2007	
	Value (mn €)	No. of M/F	Value (mn €)	No of M/F	Value (mn €)	No. of M/F	Value (mn €)	**No of M/F**
Money Market	1,206.28	22	2,070.06	25	2,522.88	28	7,968.91	26
Bond	2,466.23	72	3,220.18	78	3,333.97	92	4,347.09	62
Equity	1,932.06	103	3,083.36	123	2,606.67	141	5,197.85	93
Mixed	1,181.26	47	1,560.70	44	1,296.06	51	2,722.31	46
Funds of Funds	781.19	38	746.18	36	645.22	38	1,439.27	30
Foreign Market MFs	448.59	21	0.00	0	15.47	2	2,843.24	69
Total	8.015.63	303	10,680.47	306	10,420.28	352	24,518.67	326

Source: Union of Greek Institutional Investors

The total net assets of mutual funds at the end of 2010 amounted to 8.0 billion euros, as compared to 10.7 billion euros in 2009, 10.4 billion euros at the end of 2008 and 24.52 billion euros at the end of 2007. The annual decrease in net mutual fund assets by approximately 2.7 billion euros (-24.95%) is mostly due to a 863.77 million euro decrease in the net assets of money market funds (-41.72%), a 1.15 billion euro decrease in the net assets of equity mutual funds (-37.33%), a 379.43 billion decrease in mixed mutual funds (-24.31%) and a 753.93 billion euro decrease in the net assets of bond funds (-23.41%). In contrast, the net assets of Funds of Funds were slightly increased by 35.01 million euro (4.69%).

In individual mutual fund categories, based on their classification we see a general decrease in net assets and, more specifically, the largest net asset decrease is that of foreign money market mutual funds (516.87 million euros, a 84.17% decrease), domestic mixed funds (346.97 million euros, 26.31%), domestic equity mutual funds (844.25 million euros, 25.60%) and domestic money market funds (346.89 million euros, 23.55%). More specifically:

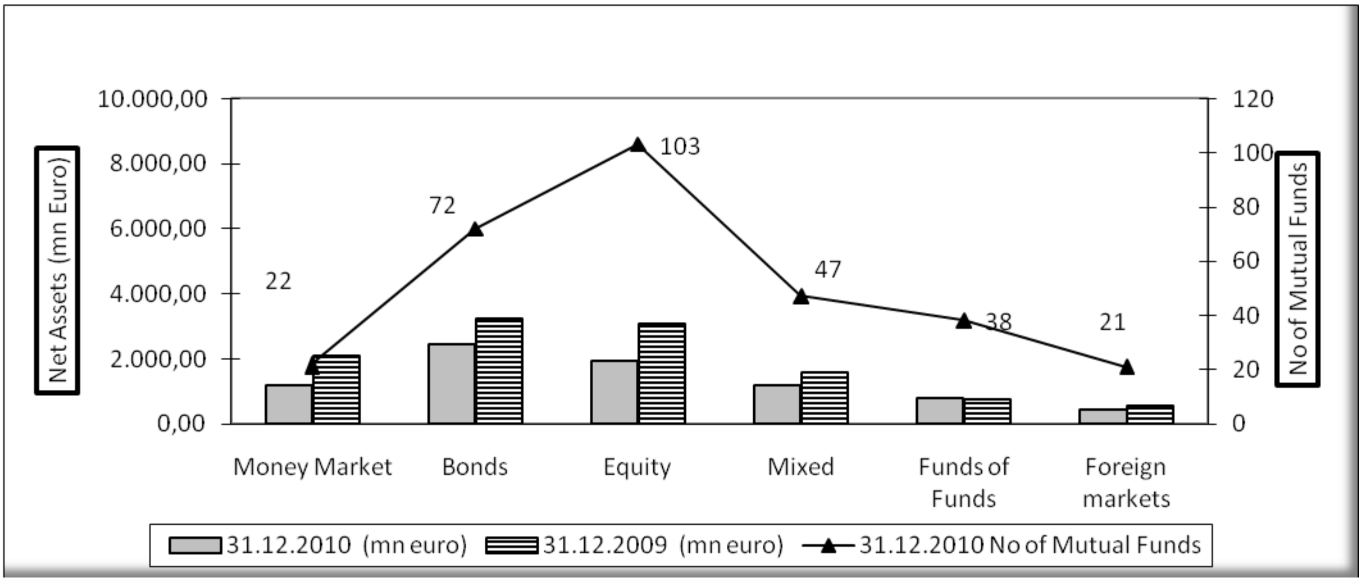
The net assets of bond funds decreased by 23.41% year-on-year, owing to outflows of 424.8 million euros from foreign bond M/Fs whose net assets decreased by 16.07% year-on-year, and outflows of 329.1 million euros from domestic bond M/Fs whose net assets decreased by 27.08% year-on-year. Bond mutual funds accounted for 30.77% of the total mutual fund market, while their market shares for 2009 and 2008 stood at 30.15% and 32.00% respectively. Moreover, the annual returns of domestic and foreign bond mutual funds were negative (17.44% and 0.42% respectively).

TABLE 24. Net Mutual Funds Assets and macroeconomic aggregates, 1991-2010

Date	Resident deposits and repurchase agreements of non MFIs to other MFIs in Greece (mn €)(1)	ATHEX Capitalization (Fixed Income Securities and Shares) (mn €)	Net Mutual Funds Assets (mn €)
Dec. 2010	*-*	*299,628.5*	*8,015.6*
Oct. 2010	*248,535.0*	*305,158.9*	*8,424.8*
Dec. 2009	*278840*	*279,891.7*	*10,680.5*
Dec. 2008	*280,159.7*	*269,980.4*	*10,420.3*
Dec. 2007	*248,524.3*	*390,161.7*	*24,518.7*
Dec. 2006	*211,062.3*	*349,477.5*	*23,910.5*
Dec. 2005	*187,585.5*	*301,958.6*	*27,944.0*
Dec. 2004	*159,854.5*	*250,045.2*	*31,647.3*
Dec. 2003	*140,029.7*	*219,766.6*	*30,398.8*
Dec. 2002	*133,848.7*	*180,329,5*	*25,385.1*
Dec. 2001	*135,732.7*	*178,129.8*	*26,795.0*
Dec. 2000	*117,825.9*	*194,898.0*	*30,887.7*
Dec. 1999	*67,172.4*	*274,397.4*	*35,021.3*
Dec. 1998	*58,910.9*	*133,938.4*	*26,405.6*
Dec. 1997	*57,974.8*	*69,099.9*	*21,497.6*
Dec. 1996	*52,816.1*	*68,905.6*	*11,367.3*
Dec. 1995	*46,268.8*	*61,946.0*	*7,202.1*
Dec. 1994	*40,344.8*	*45,250.5*	*3,943.4*
Dec. 1993	*32,530.0*	*35,817.5*	*2,543.8*
Dec. 1992	*29,784.3*	*27,049.2*	*655.6*
Dec. 1991	*27,097.6*	*22,555.8*	*503.3*

Source: Bank of Greece, ATHEX, Union of Greek Institutional Investors
Note. 1. Securitization obligations are not included. Monetary Financial Institutions (MFIs) include the Bank of Greece, other credit institutions and money market mutual funds.

FIGURE 12. Net assets and Number of Mutual Funds per classification 2010



The net assets of equity funds decreased by 37.33% year-on-year, mainly as a result of the decrease in equity portfolio valuations. The annual returns of the two subcategories of equity mutual funds, domestic and foreign, stood at -30.08% and 11.28% respectively, with total domestic equity fund outflows of 95.65 million euros and total foreign equity funds inflows of 11.78 million euros. The annual return of domestic equity funds (excluding mutual funds that became active in 2010) was negative (30.08%) in 2010, and can be compared to a 35.61% drop for the ATHEX General Index, a 41.08% drop for the FTSE/ATHEX 20 index, a 42.39% drop for the FTSE/ATHEX Liquid Mid index, a 42.67% drop for the FTSE/ATHEX Mid Cap and a 40.52% drop for the FTSE/ATHEX Small Cap index. Moreover, the market share of equity mutual funds stood at 24.10%, as compared to 28.87% in 2009 and 24.99% in 2008.

The net assets of mixed mutual funds decreased by 24.31% in 2010, while their market share rose 14.74% from 6.99% in 2009 and 6.19% in 2008. This reduction is due an outflow of 49.46 million euros from domestic mixed funds, which led to a 26.31% decrease in net assets, and an outflow of 37.00 million euros from foreign mixed funds, which led to a 13.42% decrease in net assets, while the annual returns of both categories stood at -22.45% and 1.98% respectively.

In 2010, the net assets of money market mutual funds decreased by 41.72% year-on-year, and their market share fell to 15.05% from 19.38% in 2009 and 24.24% in 2008. Foreign money market funds sustained outflows of 524.43 million euros, which led to a net asset decrease of 84.08% year-on-year, while domestic money market funds sustained outflows of 373.33 million euros, which led to a net asset decrease of 23.55% year-on-year. Moreover, the annual returns of domestic and foreign money market mutual funds were positive (1.74% and 5.57% respectively).

The net assets of funds of funds increased by 4.69% in 2010, reaching 781.19 million euros. Equity funds of funds registered a 27.30% increase in net assets with inflows of 22.99 million euros, while mixed funds of funds and bond funds of funds sustained net asset decreases of 18.52% and 3.11% with outflows of 77.61 million euros and 0.37 million euros respectively. It should be noted that the annual return of bond funds of funds was negative (0.27%), while that of equity and mixed funds of funds was positive (17.78% and 4.10% respectively). Funds of funds accounted for 9.75% of the total mutual fund market, as compared to a market share of 6.99% in 2009 and 6.19% in 2008.

At the end of 2010 there were, according to mutual fund classification, 51 domestic and 52 foreign equity mutual funds, 23 domestic and 49 foreign bond funds, 33 domestic and 14 foreign mixed funds, 18 domestic and 4 foreign money market funds, 24 equity funds of funds, 12 mixed funds of funds and 2 bond funds of funds, as well as 21 as foreign market-special category mutual funds.

TABLE 25. Net Assets and Units of Mutual Funds, 2009, 31.12.10

MF Classification	Type of M/F	Net Assets 31.12.2010 (€)	Annual Change (%)	No. of shares 31.12.2010	Annual Change (%)
Money market	Domestic	1,109,060,630	-23.55	323,371,748	-17.35
	Foreign	97,221,759	-84.17	35,472,378	-89.15
	Total	1,206,282,389	-41.72	358,844,126	-50.08
Bond	Domestic	875,687,285	-27.08	191,423,371	-4.91
	Foreign	1,590,551,776	-16.07	316,128,336	-24.60
	Total	2,466,239,061	-23.41	507,551,707	-19.24
Equity	Domestic	1,396,667,421	-25.60	365,730,443	0.84
	Foreign	535,398,868	-12.46	162,259,471	-5.70
	Total	1,932,066,289	-37.33	527,989,914	-14.62
Mixed	Domestic	971,882,381	-26.31	228,677,317	-1.77
	Foreign	209,379,982	-13.42	31,609,192	-16.14
	Total	1,181,262,363	-24.31	260,286,509	-3.77
Funds of Funds	Equity	521,355,344	27.30	214,512,174	-1.53

	Mixed	*249,928,236*	*-18.52*	*88,717,115*	*-27.67*
	Bond	*9,906,589*	*-3.11*	*965,024*	*-2.97*
	Total	*781,190,169*	*4.69*	*304,194,313*	*-11.88*
Foreign Markets-ST	*Total*	*448,596,041*	*-15.10*	*54,401,857*	*-9.57*
TOTAL		*8,015,636,312*	*-24.95*	*2,013,268,426*	*-22.01*

Source: Union of Greek Institutional Investors

By the end of 2010, the three largest mutual fund management firms had funds under management of 4.64 billion euros, which accounted for 57.92% of total mutual fund assets, as compared to assets of 6.32 billion euros and a corresponding market share of 59.14% in 2009, 7.04 billion euros and a market share of 67.57% in 2008 and 19.22 billion euros with a market share of 78.44% in 2007. The five largest mutual fund management firms had funds under management that accounted for 72.24% of total mutual fund assets in 2010, as compared to 74.99% in 2009, 79.05% in 2008 and 86.52% in 2007 (see Table II of the Appendix).

FIGURE 13. ATHEX Market Capitalization- mutual fund assets and the ATHEX General Index, 2008-2010

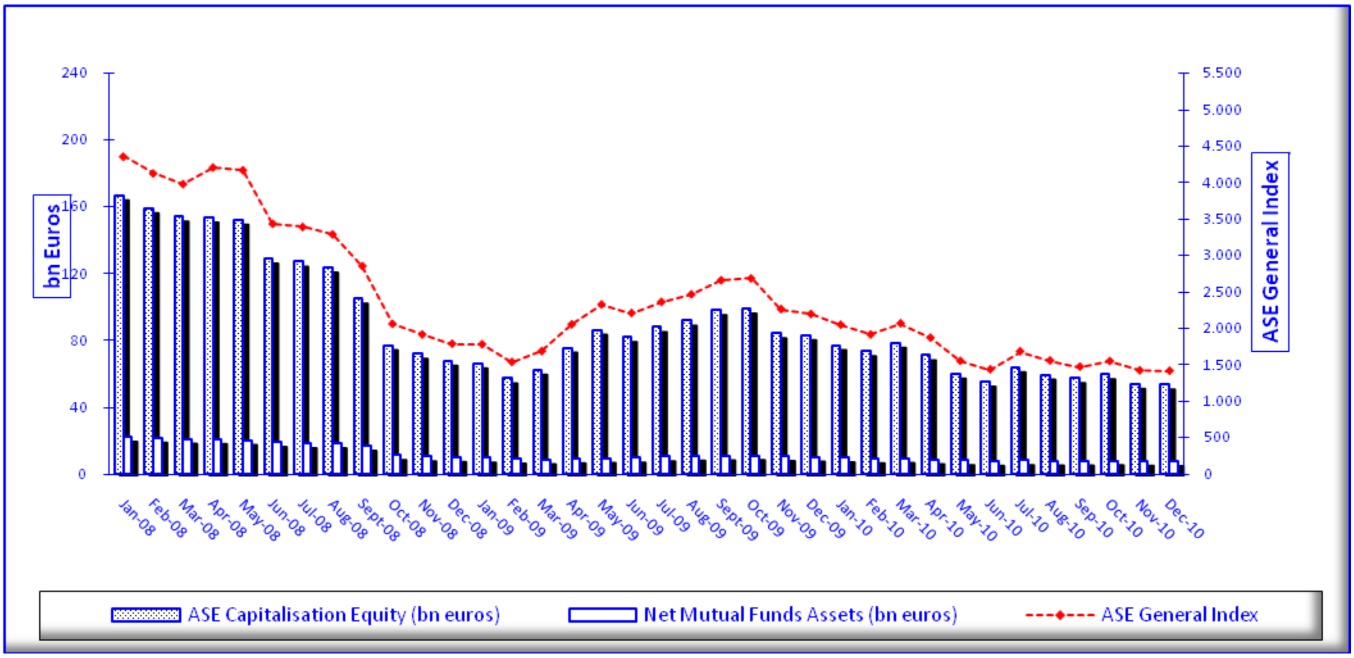


FIGURE 14. Quarterly mutual fund assets per category, 2010

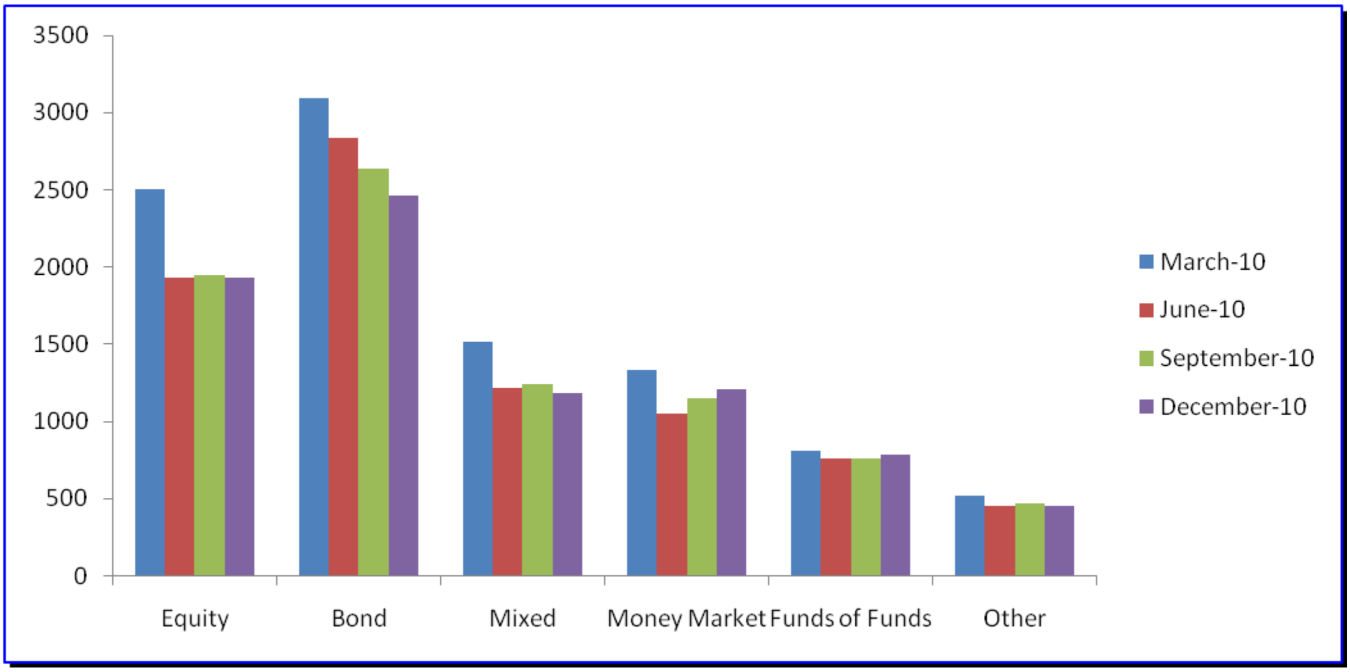


TABLE 26. Authorized foreign Undertakings for Collective Investments, 2010-2001

Year	UCITS covered by Directive 85/611/EEC		UCITS covered by Directive 85/611/EEC	
	Number of UCITS	Number of Funds	Number of UCIs	**Number of Funds**
2010	10	98	0	0
2009	10	168	0	0
2008	9	369	0	0
2007	9	206	0	0
2006	6	328	0	0
2005	5	159	0	0
2004	12	92	0	0
2003	4	115	2	2
2002	6	246	0	0
2001	18	316	3	11

Source: HCMC

In 2010, the Hellenic Capital Market Commission approved the formation and operation of seven (7) new mutual funds, the merger of seven (7) mutual funds, and the amendment of internal regulations for twenty three (23) mutual funds. Also, ten (10) foreign Undertakings for Collective Investments in Transferable Securities (UCITS), notified the HCMC about their intention to sell mutual fund units in the Greek market through their representatives, while the Commission approved the sale of shares from ninety eight (98) new mutual funds of foreign UCITS. Finally, in 2010 the HCMC approved the amendment of MFMF internal regulations in four (4) cases, the amendment of MFMF share capitals in four (4) cases and the new composition of the board of directors of MFMFs in twenty one (21) cases.

Developments in the European fund market

According to European Fund & Asset Management Association (E.F.A.M.A.) statistics, in the first nine months of 2010 the total net assets of mutual funds in European markets increased by 9.5%. During the same period, the total net assets of UCITS increased by 8.7%, because of the increase in the total assets of equity UCITS by 8.8%, mixed UCITS by 12.3%, bond UCITS by 17.7%%, funds of funds UCITS by 1.2% (excluding the funds of funds from France, Luxembourg, Italy and Germany, which are *included in the next category of other UCITS) and other UCITS by 18.9%. Only the money market UCITS's net assets decreased by 11.0%.*

Net UCITS sales in the first nine months of 2010 fell to 66 billion euros from 122 billion in the same period of 2009. More specifically, in this period outflows in the money market category reached 106 billion euros from 18 billion euros in the same period of 2009, while the remaining UCITS categories had total inflows of 172 billion euros, as compared to 104 billion euros in the same period of 2009.

The changes in the net assets of UCITS during the first nine months of 2010 (30.09.10-31.12.2009) brought about slight market share alterations, i.e. from 34% to 33% for equity UCITS, from 17% to 23% for money market UCITS, for 25% to 23% for bond UCITS, while the market share of funds of funds UCITS remained unchanged at 1%. The above figures do not include the UCITS of Ireland and the Netherlands, for which no classification data exist.

TABLE 27. Net Assets of UCITS, 30.09.10-30.09.2009

M/F Classification	30.09.2010			30.09.2009	
	Net assets (bn €)	% of Total	Percentage change 09.2010-09.2009	Net assets (bn €)	% of Total
Equity	1,715	34.3	15.95	1,479	32.7
Mixed	857	17.1	17.39	730	16.1
Funds of Funds	74	1.5	21.31	61	1.3
Bond	1,253	25.0	21.41	1,032	22.8
Money Market	870	17.4	-15.86	1,034	22.9
Other	233	4.7.	23.93	188	4.2
Total[1]	5,001	100.0		4,524	100.0

Source: EFAMA

Note. 1. Excluding Ireland as at 30.09.10 and the Netherlands as at 30.09.09, for which no UCITS classification data exist.

France and Luxembourg dominate the European UCITS market, with a combined market share of 52.1% in the first nine-months of 2010, followed by Ireland, the United Kingdom and Germany with market shares of 12.3%, 10.8% and 4.1% respectively. In the first nine months of 2010, UCITS from twenty (20) out of twenty six (26) European countries increased their net assets as compared to the end of 2009. The largest increases during this period were registered by the UCITS mutual funds of Switzerland (60.2%) and Romania (54.0%), while the largest decreases during this period were suffered by the UCITS mutual funds of Greece (-21.4%) and Portugal (-19.2%). The non-UCITS markets are dominated by four types of funds: Special Funds, which are addressed exclusively to institutional investors; real estate funds; British investment trusts; and French employee savings funds.

TABLE 28. Net assets of UCITS from the top five (5) EU member-states, 30.09.2009-30.9.2010

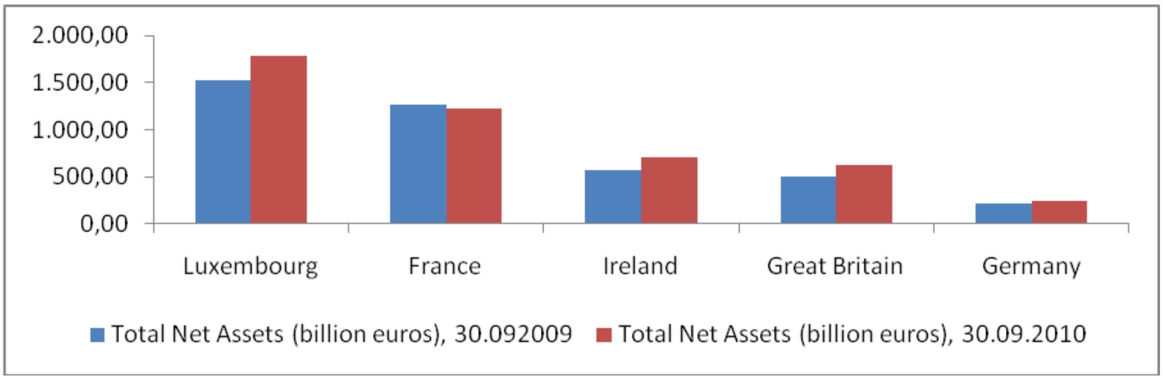
Country	30.09.20010			30.09.2009	
	Total net assets (bn €)	% of the total in the EU market	Percentage change 09.2010-09.2009	Net assets (billion Euros)	% of the total in the EU market
Luxembourg	1,786.33	30.91	16.82	1,529.02	29.65
France	1,223.05	21.16	-3.24	1,264.11	24.51
Ireland	708.47	12.26	24.35	569.70	11.05
Un. Kingdom	624.98	10.81	23.77	504.94	9.79
Germany	236.93	4.10	10.89	213.65	4.14
Total	4,579.76	79.24	12.21	4,081.41	79.14

Total Europe	*5,777.31*	*100.00*	*12.02*	*5,157.29*	*100.00*

Source: EFAMA

In the first nine-months of 2010, the total net assets of non-UCITS increased by 11.2%, reaching 1,773 billion euros (excluding Ireland, for which no data exist), with the German special funds accounting for 44% of this category, followed by real estate funds with 13%. British investment trusts continue to exhibit the highest total net asset growth rates, with 15.4%, followed by special funds that are addressed to institutional investors with 13.2% and other Luxembourg funds with 9.3%.

FIGURE 15. Net assets of UCITS in the top five (5) EU countries, 30.09 2010-30.09.2009



Portfolio Investment Companies

By the end of 2010, the shares of five (5) Portfolio Investment Companies (PICs) were traded in the Athens Exchange with a total market capitalization of 142.32 million euros, as compared to 152.18 million euros by the end of 2009 and 138.9 million euros for seven (7) listed companies by the end of 2008. At the end of the year, the total net asset value of PICs amounted to 224.05 million euros, as compared to 247.65 million euros in 2009, and 236.57 million euros in 2008. PIC shares traded at an average weighted discount of 36.47%, as compared to a discount of 38.55% by the end of 2009, and 41.33% at the end of 2008. In 2010, the average annual return of portfolio investment companies was negative, and stood at 6.78%. In 2010, the HCMC approved the new composition of the board of directors of PICs in one (1) case and the amendment of PIC share capitals in three (3) cases.

Real Estate Investment Companies

At the end of 2010, there were five (5) active Real Estate Investment Companies (REICs), three (3) of which are listed and their shares are traded in the Athens Exchange with a market capitalization of 447.74 million euros, as compared to 625.19 million euros at the end of 2009. In 2010, the HCMC approved the new composition of the board of directors of REICs in two (2) cases, and the amendment of the internal regulation of REICs in one (1) case. Finally, in 2010 a HCMC regulation was amendment; more specifically, HCMC Rule 10/566/25.10.2010 (Gazette B 1812/18.11.2010) amends HCMC Rule 8/259/19.12.2002 "Contents of the semi-annual/annual report and the investment table of real estate mutual funds and the semi-annual investment table of real estate investment companies" (Gazette B 19/16.1.2003).

CLEARING AND SETTLEMENT OF TRANSACTIONS

In accordance with law 3606/2007, central counterparty, clearing and settlement facilities that operate in Greece, as well as their managers, are licensed and supervised by the HCMC, excluding the System for Monitoring Transactions in Book-entry Securities (BOGS) set out by Law 2198/1994, and the Bank of Greece, as the Manager of this System. Such supervision is without prejudice to the competencies *of the Bank of Greece as overseer of settlement and payment systems, in accordance with Law 2879/2000.*

In July 2010, the Hellenic Capital Market Commission, by means of Rule 5/556/8.7.2010 authorized the "Athens Exchange Clearing House SA" (ETEK) as the administrator of the Book Entry Securities Clearing System and the Derivatives Clearing System. Moreover, the HCMC authorized the Securities System and the Derivatives System, also approving the Regulation of each system (HCMC Rules 6/556/8.7.2010 and 7/556/8.7.2010 respectively). Finally, by means of Rule 8/556/8.7.2010, the HCMC amended the system administrator authorization granted in 2009 to Hellenic Exchanges SA Holding Clearing Settlement and Registration (HELEX)". Thus, clearing, settlement and registration functions are now segregated in the Greek market. ETEK, whose sole shareholder is HELEX, undertakes the clearing of transactions on securities and derivatives, while the settlement of transactions remains the duty of HELEX as the administrator of the DSS in accordance with law 3606/2007.

Book entry securities are registered in the investor shares and accounts kept with the Dematerialized Securities System (DSS) and their transfers are followed up. In 2010, there were three amendments to the Regulation of the DSS. HCMC Rule 2/551/2.6.2010 amended the DSS Regulation on the basis of the provisions of Law 3756/2009 "Dematerialized Securities System, Capital market provisions, tax issues and other provisions", in order to enable HELEX to operate as an Investor CSD. Rule 3/556/8.7.2010 regulated the settlement of transactions through the DSS Regulation. Finally, Rule 1/568/12.11.2010 provided for the transfer of the investors' securities to the special account, when the operating license of the Investment Firm, which was the operator of their investor share, is revoked.

In 2010, 38,711 new DSS shares were opened, as compared to 39,605 new DSS shares opened in 2009 (a 2.3% year-on-year decrease) and 35,493 new DSS shares in 2008. Moreover, 1,960 shares were deactivated, as compared to 2,879 deactivations in 2009. By the end of 2010, the total number of investor shares in the DSS amounted to 2,187,047, slightly increased by 1.7% year-on-year (Table 29). The number of investor shares with balances decreased to 932,929 at the end of 2010, from 937,799 in December 2009. Finally, the number of Active Shares in December of 2010 stood at 34,994, significantly reduced by 49.7% as compared with December 2009.

In 2010, domestic investor participation to the market capitalization of the ATHEX was reduced and stood at 48.22% at the end of the year, as compared to 50.22% in 2009 (Table 30). The positions of private domestic investors accounted for 20.8% of total market capitalization in the ATHEX, as compared to 21.1% in 2009, while the positions of the public sector were slightly increased and accounted for 13.9% of total market capitalization in 2010, as compared to 13.7% at the end of 2009. The year-end participation of foreign investors to the market capitalization of the ATHEX rose to 50.5% in 2010, from 48.5% in 2009 and 47.9% in 2008. This increase resulted from the increased participation of foreign institutional investors, which accounted for 34.8% of total market capitalization in the ATHEX in 2010, as compared to 33.5% in 2009.

In 2010, foreign investors were sellers, in contrast to 2009 when they were buyers, with total inflows of 0.98 bn Euros. More specifically, the total outflows generated by foreign investors stood at 1.09 billion euros. Overall, domestic investors were buyers, with a total inflow of 1.01 billion euros, of which 1.1 billion euros originated from domestic retail investors.

TABLE 29. Number of new Stock Trading Accounts in the DSS by month, 2004-2010.

Month / Year	2010	2009	2008	2007	2006	2005	2004
January	2,861	4,101	3,052	4,013	3,223	3,661	4,427
February	5,027	4,018	2,522	2,297	2,564	1,459	18,352
March	3,062	4,450	1,858	3,685	3,229	1,526	1,861
April	5,646	3,542	2,304	2,974	3,260	3,836	2,372

May	3,043	3,644	2,073	2,122	9,892	1,108	1,961
June	2,373	3,231	1,710	9,153	14,662	1,873	1,322
July	3,393	3,144	2,621	3,605	5,027	7,146	1,784
August	1,467	2,348	1,488	3,331	2208	2,362	1,066
September	3,460	2,599	1,873	1,939	2869	1,511	1,611
October	3,697	2,932	6,505	3,031	4709	2,623	5,230
November	2,810	2,674	6,465	2,847	2982	1,600	1,473
December	1,872	2,922	3,022	2,221	2042	2,107	1,409
Total new accounts	38,711	39,605	35,493	41,218	56,667	30,812	42,868
Account deactivations	1,960	2,879	2,880	3,929	334,549	6,626	3,743
Total accounts	2,187,047	**2,150,296**	**2,107,910**	**2,075,297**	**2,043,668**	**2,321,550**	**2,297,364**

Source: Hellenic Exchanges SA "Axia Numbers", Monthly Statistical Bulletin, December 2009.

TABLE 30. Distribution of trading accounts in the Athens Exchange, 31.12.2010.

	Investor Shares with balances		**Capitalization**	
	No	Percentage (%)	Value (mn €)	**Percentage (%)**
I. Domestic Investors	904,764	96.98	26,180.57	48.22
• Private domestic	901,417	96.62	11,304.15	20.82
• Private financial [1]	469	0.05	3,287.09	6.05
• Private non-financial	2,251	0.24	4,033.20	7.43
• Public Sector	626	0.07	7,556.13	13.92
• Other domestic investors	1	0.00	0.00	0.00
II. Foreign Investors	18,147	1.95	27,389.90	50.45
• Private-foreign	12,663	1.36	365.12	0.67
• Legal Entities	1,260	0.14	6,424.76	11.83
• Institutional Investors	4,005	0.43	18,893.82	34.80
• Other legal entities	219	0.02	1,706.19	3.14
III. Other Investors[2]	10,018	1.07	725.53	1.34
Total I +II + III	932,929	100.00	54,296.00	100.00

Source: Hellenic Exchanges SA "Axia Numbers", Monthly Statistical Bulletin, December 2009.
Note. 1. Insurance companies, pension funds, UCITS, Investment Firms, financial institutions, factoring, leasing, venture capital companies, Financial Intermediation Firms etc.
2. Investors with no registered tax residence. From joint ownerships, those whose members include both Greeks and foreigners.

PART FOUR

ACTIVITIES OF THE HELLENIC CAPITAL MARKET COMMISSION

RULES AND REGULATIONS

In 2010, the Board of Directors of the Hellenic Capital Market Commission issued many rules and regulations. There rules and regulations were directed towards the enhancement of service quality and investor protection, the safeguarding of the normal operation of the market, the protection of the trading and clearing system, market transparency and the assurance of the smooth functioning of the market. The following rules are regulations were issued:

Quality of services and investor protection enhancement.

- *HCMC Rule 1/540/17.2.2010 'Amendment of HCMC Rule 5/461/24.1.2008 (Gazette B 283/25.2.2008) "Criteria for the licensing of Financial Intermediation Firms"'.*

- *HCMC Rule 1/539/8.2.2010 'Amendment of HCMC Rule 1/317/11.11.2004 "Classification of mutual funds according to Law 3283/2004"'.*

- *HCMC Rule 16/538/27.1.2010 on the "Approval of the training program for individuals involved in the distribution of mutual fund units."*

- *HCMC Rule 5/556/8.7.2010 "Authorization of the ATHENS EXCHANGE CLEARING HOUSE as the System Administrator"*

- *HCMC Rule 6/556/8.7.2010 "Authorization of Securities System operation to the ATHENS EXCHANGE CLEARING HOUSE" and Regulation approval"*

- *HCMC Rule 7/556/8.7.2010 "Authorization of Derivatives System operation to the ATHENS EXCHANGE CLEARING HOUSE" and Derivative's Clearing Regulation approval"*

- *HCMC Rule 8/556/8.7.2010, "Ammendment of the system administrator authorization granted to Hellenic Exchanges SA Holding Clearing Settlement and Registration (HELEX)".*

Safeguarding the Normal Operation, Liquidity and Security of the Capital Market

- *HCMC Rule 3/559/26.8.2010 'Amendment of HCMC Rule 1/509/15.5.2009 (Gazette B 1076/4.6.2009) "Short Sales of Shares listed in the Athens Exchange"'.*

- *HCMC Rule 548/28.4.2010 "Amendment of HCMC Rule 1/509/15.5.2009 "Short Sales of Shares listed in the Athens Exchange."*

- *HCMC Rule 1/554/24.6.2010 "Amendment of HCMC Rule 548/28.4.2010"*

Improvement of company solvency, transaction security and market infrastructure efficiency

- *HCMC Rule 6/572/23.12.2010 (Gazette B 2236/31.12.2010) Amendment of HCMC Rule 6/459/27.12.2007 (Gazette B 2456/31.12.2007) "Capital adequacy requirements of investment firms against operational risk"*

- *HCMC Rule 8/572/23.12.2010 (Gazette B 2236/31.12.2010) Amendment of HCMC Rule 8/459/27.12.2007 (Gazette B 2456/31.12.2007) "Internal assessment of the investment firms' capital adequacy and its prudential supervision and assessment by the Capital Market Commission"*

- *HCMC Rule 9/572/23.12.2010 (Gazette B 2236/31.12.2010) HCMC Rule 9/459/27.12.2007 (Gazette B/2457/31.12.2007) "Disclosure by investment firms of prudential information regarding capital adequacy, the risks assumed and the management of those risks".*

- *HCMC Rule 4/572/23.12.2010 (Gazette B 2190/31.12.2010) Amendment of HCMC Rule 4/459/27.12.2007 (Gazette B 2453/31.12.2007) "Calculation of capital adequacy requirements of investment firms against market risk"*

- *HCMC Rule 1/572/23.12.2010 (Gazette B 2179/31.12.2010) Amendment of HCMC Rule 1/459/27.12.2007 (Gazette B 2455/31.12.2007) "Rules for the calculation of the capital adequacy requirements of investment firms"*

- *HCMC Rule 2/572/23.12.2010 (Gazette B 2176/31.12.2010) Amendment of HCMC Rule 2/459/27.12.2007 (Gazette B 2457/31.12.2007) "Specification of Own Funds of Investment Firms domiciled in Greece"*

- *HCMC Rule 7/572/23.12.2010 (Gazette B 2186/31.12.2010) Amendment of HCMC Rule 7/459/27.12.2007 (Gazette B 2456/31.12.2007) "Supervision and monitoring of Large Financial Exposures of Investment Firms"*

- *HCMC Rule 1/568/12.11.2010 "Amendment of HCMC Rule 3/304/10.06.2004 (Gazette B 901/16.6.2004) on the Regulation of the Dematerialized Securities System."*

- *HCMC Rule 1/562/16.9.2010 "Amendment of the Regulation of the "Athens Exchange Clearing House SA" (ETEK) for the Clearing of Transactions in Book-Entry Securities"*

- *HCMC Rule 3/556/8.7.2010 "Amendment of HCMC Rule 3/304/10.06.2004 "Regulation of the Dematerialized Securities System."*

- *HCMC Rule 2/551/2.6.2010 "Amendment of HCMC Rule 3/304/10.06.2004 "Regulation of the Dematerialized Securities System."*

HCMC Rule 7/544/18.3.2010 "Amendment of the Regulation for the Clearing and Settlement of Transactions on Book-Entry Securities".

LICENSING

The work of the Hellenic Capital Market Commission in the field of licensing during 2010 includes the following:

Investment Firms

- *Authorized the operation of Investment Firms in three (3) cases.*

- *Authorized the extension of Investment Firm operations in eight (8) cases.*

- *Revoked the operating licenses of Investment Firms in one (1) case.*

- *Revoked the operating licenses of Investment Firms in regard to specific investment services in ten (10) cases.*

- *Approved the merger through absorption of an investment firm by another investment firm in one (1) case.*

- *Approved the merger through absorption of an investment firm by a MFMF in one (1) case.*

- *Evaluated the eligibility of new Investment Firm board members in seventy (70) cases.*
- *Evaluated the eligibility of fifteen (15) investment firm managers.*
- *Approved the acquisition of qualifying holdings in Investment Firms in seven (7) cases.*
- *Approved the sale of qualifying holdings in Investment Firms in six (6) cases.*

Financial Intermediation Firms

- *Revoked the operating licenses of Financial Intermediation Firms in fifteen (15) cases.*
- *Approved the merger through absorption of a financial intermediation firm by another financial intermediation firm in one (1) case.*
- *Evaluated the eligibility of new FIF board members in twenty three (23) cases.*
- *Evaluated the eligibility of the actual managers of Financial Intermediation firms in eight (8) cases.*
- *Evaluated the shareholders who increased their qualified holding in FIFs in two (2) cases.*
- *Evaluated a shareholder who acquired a qualified holding in a FIF in eight (8) case.*
- *Approved the sale of qualified holdings in FIFs in sixteen (16) cases.*
- *Granted license for the provision of investment advice services to one (1) Financial Intermediation Firm.*

Mutual Fund Management Firms

- *Approved the regulations and creation of mutual funds in seven (7) cases.*
- *Approved of the modification of mutual fund internal regulations in twenty three (23) cases.*
- *Granted licenses for mergers between mutual funds in seven (7) cases.*
- *Approved the modification of the charter of four (4) MFMFs.*
- *Approved of share capital changes of MFMFs in four (4) cases.*
- *Approved the new composition of the board of directors of MFMFs in twenty one (21) cases*

Portfolio Investment Companies

- *Approved the new composition of the board of directors of PICs in one (1) case.*
- *Approved of share capital changes of PICs in three (3) cases.*

Real Estate Investment Companies

- *Approved the new composition of the board of directors of REICs in two (2) cases*
- *Approved the modification of REIT charters in one (1) case.*

Foreign UCITS

- *Approved the sale of shares in new foreign UCITS in ten (10) cases.*

- *Approved the sale of shares in new foreign UCITS mutual funds in ninety eight (98) cases.*

Approval of public offering prospectuses

Prospectus for public offerings.

- *Approved the prospectuses of eleven (11) companies, concerning the public offering of shares aimed at share capital increases by payment of cash, and their listing in the securities market of the ATHEX.*

- *Approved the prospectus of one (1) company concerning the public offering of bonds and their listing in the securities markets of the ATHEX.*

- *Approved the supplementary prospectuses of seven (7) companies, concerning share capital increases through the public offering of their shares in the securities market of the ATHEX.*

Prospectus for the listing of securities without public offering.

- *Approved the prospectus of three (3) company concerning the listing in the ATHEX of new shares that resulted from a share capital increase through contribution in kind.*

- *Approved the prospectus of one (1) company concerning the listing in the ATHEX of new shares that resulted from its share capital increase through the payment of cash without public offering.*

- *Approved the prospectus of one (1) company concerning the listing in the ATHEX of new shares that resulted from its share capital increase due to the acquisition of a business sector and assets of other companies.*

Prospectus for public offerings without listing.

- *Approved the prospectuses of four (4) companies, concerning share capital increases through the public offering of their shares, without listing in the securities market of the ATHEX.*

- *Approved the supplementary prospectuses of one (1) company, concerning a share capital increase through the public offering of their shares, without listing the securities market of the ATHEX.*

Corporate transactions of listed companies (article 4, Law 3401/2005)

- *Briefing of the Board of the Hellenic Capital Market Commission on the contents of the document provided for by article 4, Law 3401/2005 in the case of two (2) companies intending to increase their share capitals due to the absorption of other companies.*

- *Notification to the HCMC of fifteen (15) forms provided for by article 4 of Law 3401/2005 concerning share capital increases through the conversion to shares of stock options offered to company employees.*

- *Notification to the HCMC of four (4) forms provided for by article 4 of Law 3401/2005 concerning share capital increases through the distribution of free shares to existing shareholders.*

- *Notification to the HCMC of thirteen (13) forms provided for by article 4 of Law 3401/2005 concerning share capital increases for the payment of dividends or pre-dividends in the form of shares.*

- *Notification to the HCMC of twenty three (23) prospectuses, in implementation of the community framework regarding cross-border public offerings, in accordance with articles 17 and 18 of Law*

3401/2005, concerning the approval certificates issued by the competent authorities of the home member-state.

- *Notification to the HCMC of sixty four (64) addendums to prospectuses, in implementation of the community framework regarding cross-border public offerings, in accordance with articles 17 and 18 of Law 3401/2005, concerning the approval certificates issued by the competent authorities of the home member-state.*

Approval of public offering prospectuses

Prospectus for public offerings.

- *Approved the prospectuses of eleven (11) companies, concerning the public offering of shares aimed at share capital increases by payment of cash, and their listing in the securities market of the ATHEX.*

- *Approved the prospectus of one (1) company concerning the public offering of bonds and their listing in the securities markets of the ATHEX.*

- *Approved the supplementary prospectuses of seven (7) companies, concerning share capital increases through the public offering of their shares in the securities market of the ATHEX.*

Prospectus for the listing of securities without public offering.

- *Approved the prospectus of three (3) company concerning the listing in the ATHEX of new shares that resulted from a share capital increase through contribution in kind.*

- *Approved the prospectus of one (1) company concerning the listing in the ATHEX of new shares that resulted from its share capital increase through the payment of cash without public offering.*

- *Approved the prospectus of one (1) company concerning the listing in the ATHEX of new shares that resulted from its share capital increase due to the acquisition of a business sector and assets of other companies.*

Prospectus for public offerings without listing

- *Approved the prospectuses of four (4) companies, concerning share capital increases through the public offering of their shares, without listing in the securities market of the ATHEX.*

- *Approved the supplementary prospectuses of one (1) company, concerning a share capital increase through the public offering without listing their shares in the securities market of the ATHEX.*

Corporate transactions of listed companies (article 4, Law 3401/2005)

- *Briefing of the Board of the Hellenic Capital Market Commission on the contents of the document provided for by article 4, Law 3401/2005 in the case of two (2) companies intending to increase their share capitals due to merger with other companies.*

- *Notification to the HCMC of fifteen (15) forms provided for by article 4 of Law 3401/2005 concerning share capital increases through the conversion to shares of stock options offered to company employees.*

- *Notification to the HCMC of four (4) forms provided for by article 4 of Law 3401/2005 concerning share capital increases through the distribution of free shares to existing shareholders.*

- *Notification to the HCMC of thirteen (13) forms provided for by article 4 of Law 3401/2005 concerning share capital increases through the payment of dividends or pre-dividends in the form of shares.*

- *Notification to the HCMC of twenty three (23) prospectuses, in implementation of the community framework regarding cross-border public offerings, in accordance with articles 17 and 18 of Law 3401/2005, concerning the approval certificates issued by the competent authorities of the home member-state.*

- *Notification to the HCMC of sixty four (64) addendums to prospectuses, in implementation of the community framework regarding cross-border public offerings, in accordance with articles 17 and 18 of Law 3401/2005, concerning the approval certificates issued by the competent authorities of the home member-state.*

Forced sale of listed company shares

Forced sales

The granting of licenses for forced sales and the appointment of ATHEX-members for the forced sale of pledged or seized shares, continued in 2010. Law 3152/2003 (article 13 §§ 1 and 2) transferred these responsibilities to the Hellenic Capital Market Commission.

The total volume of stock for sale reached 955,512 shares in 2010, as compared to 379,281 shares in 2009, while the total volume of the stock finally sold reached 337,378 shares, as compared to 56,876 in 2009. The total value of shares sold amounted to 65,015.60 euros, as compared to 85,683 euros in 2009.

The data concerning the requests that were submitted and the sales that took place during 2010, show that: (a) The sale with the largest number of shares concerned 326,295 shares issued by "Mochlos", whose value amounted to 35,892.45 euros and was the highest for 2010; (b) the sale with the lowest volume of shares concerned 1,512 shares, issued by "Alpha Bank", whose value amounted to 9,124.36 euros. In 2010, 8 requests were submitted for the execution of 2 sales, as compared to 3 requests and 2 sales in 2009. Since the transfer of competence for the forced sale of shares, and till the end of 2009, the HCMC had received a total of 147 requests for the forced sale of pledged or seized shares.

Sale of fractional balances

The granting of licenses for forced sales and the appointment of ATHEX-members for the forced sale of fractional balances of shares, continued in 2010. Paragraph 1 of article 53 of Law 3371/2005 added article 44a to Law 2396/1996. According to paragraph 2 of the said article, fractional balances resulting from the share capital increase of a listed company can be sold under the care of the issuing company after 6 months, and the HCMC is authorized to issue rules for settling every specific issue and detail, concerning the implementation of this paragraph.

On the basis of the aforementioned authorization, the HCMC issued Rule 13/375/17.3.2006: "Sale of indisposed fractional balances resulting from a company's share capital increase." This rule specifies the details concerning the method of, and the procedure for, the sale of fractional balances, the provision of selling licenses by the HCMC (whenever required) and the appointment of the ATHEX-member that will perform the sale, as well as the method for notifying the beneficiaries of the fractional balances about the sale, and the collection of the product from the sale.

Based on the above, the HCMC received 6 requests for the sale of fractional balances in 2010, as compared to 12 requests in 2009. The total volume of stock for sale reached 45,691 shares as *compared to 113,196 in 2009, and the total volume of stock finally sold reached 33,693 shares, as compared to 17,907 in 2009. The value of shares sold amounted to 228,457.82 euros in 2010, as compared to 132,756 euros in 2009.*

Moreover, the data concerning the requests that were submitted and the sales that took place during 2010 show that: (a) The sale with the largest number of shares concerned 30,327 shares issued by the "National Bank of Greece", whose value amounted to 225,648.04 euros and was the highest for 2010; (b) the sale with the lowest volume of shares concerned 81 shares, issued by "DIAS AQUA CULTURE SA", whose value amounted to 131.22 euros and is the lowest for 2010.

Sales of tangible shares

The granting of licenses for forced sales and the appointment of ATHEX-members for the forced sale of tangible shares, continued in 2010. In accordance with paragraph 2 of article 53 of Law 3371/2005, any tangible registered shares that have not been submitted for dematerialization are sold through the Athens Exchange. This article authorizes the HCMC to issue rules to regulate any relevant issue and detail concerning the implementation of this paragraph. Paragraph 2 of article 32 of Law 3556/2007 amended the aforementioned provision in order to include shares that have been issued in dematerialized form in favour of the beneficiaries of the tangible registered shares that have not been submitted for dematerialization, and have resulted from corporate transactions, such as share capital increases with or without payment of cash, the distribution of free shares, share splits or reverse splits, or conversion of preferred stock to common stock and vice-versa.

On the basis of the aforementioned authorization, the HCMC issued Rule 1/380/4.5.2006: "Sale of tangible registered shares that have not been submitted for dematerialization". This rule specifies the details concerning the procedure for the sale of tangible registered shares, the provision of selling licenses by the HCMC (whenever necessary) and the appointment of the ATHEX-member that will perform the sale, as well as the method for notifying the beneficiary shareholders about the sale, and the collection of the product from the sale.

In implementation of the above provisions, the HCMC received 1 request for the sale of tangible registered shares in 2010, as in 2009, while the volume of stock for sale amounted to 500 shares, as compared to 11,260 in 2009. The shares to be sold had been issued by the "Wool Industry Tria Alfa", and their sale has not yet been completed. Given that this procedure concerns shares that have not been submitted for dematerialization, whose number is limited, the number of shares to be sold is decreasing every year, until all the shares credited in the accounts of absent shareholders have been sold.

ENFORCEMENT AND COMPLIANCE

During 2010, the Hellenic Capital Market Commission continued its auditing work in all areas. Supervision brought considerable benefits to the Greek capital market by ensuring its smooth operation. The audits that were performed during 2010 covered all capital market entities. There were multiple audits on investment firms, mutual fund management firms, financial intermediation firms, listed companies, and stock exchange transactions.

The audits detected violations of capital market regulations, which led the Hellenic Capital Market Commission to the imposition of the following administrative sanctions:

Revocation of License

- *Revoked the licenses of twelve (12) Financial Intermediation Firms in implementation of article 21 of Law 2690/1999.*

- *Revoked the licenses of three (3) Financial Intermediation Firms in implementation of article 39 of Law 3606/2007.*

- *De-listed the shares of eight (8) companies from the ATHEX, in application of paragraph 5, article 17 of Law 3371/2005.*

Fines

Investment Firms

- *A fine was levied on one Investment Firm for violating article 8 of Law 2396/1996, concerning the keeping and submission of information about the transactions performed.*

- *Fines were levied on two (2) Investment Firms for violating article 5 of Law 2843/2000 concerning the rules that must be adhered to by Investment Firms upon concluding margin account agreements.*

- *A fine was levied on one (1) Investment Firm for violating article 18 of Law 3340/2005, concerning the obligation of persons professionally arranging transactions in financial instruments to record and file all transaction orders received by their clients.*

- *Fines were levied on three (3) Investment Firms for violating articles 8 & 12 of Law 3606/2007 on the carrying out of investment activities and the organizational requirements of Investment Firms.*

- *A fine was levied on one (1) Investment Firm for violating article 25 of Law 3606/2007 on the obligation of Investment Firms to provide clear, accurate and non-misleading information.*

- *A fine was levied on one (1) Investment Firm for violating HCMC Rule 6160/86/15.10.1996 concerning the bookkeeping obligations of investment firms.*

- *Fines were levied on three (3) Investment Firms for violating HCMC Rule 2/363/30.11.2005 concerning the provision of credit by ATHEX members.*

- *Fines were levied on two (2) Investment Firm for violating HCMC Rule 1/452/1.11.2007 on the code of conduct for investment firms.*

- *Fines were levied on three (3) Investment Firms for violating HCMC Rule 2/452/1.11.2007 on the mandatory disclosure of transactions.*

- *A fine was levied on one (1) Investment Firm for violating the Code of Conduct.*

Mutual Fund Management Firms and Portfolio Investment Companies

- *A fine was levied on one (1) MFMF for violating article 22 of Law 3283/2004 on the supervision of MFMFs and PICs.*

- *Fines were levied on five (5) Investment Firms for violating HCMC Rule 1/462/7.2.2008 on the code of conduct for MFMFs and PICs.*

Financial Intermediation Firms

- *A fine was levied on one (1) FIF for violating HCMC Rule 3/356/26.10.2005 on the bookkeeping requirements related to the provision of investment services. .*

- *The operating licenses of two (2) Financial Intermediation Firms were revoked in implementation of article 39 of law 3606/2007.*

- *Initiated the procedure for revoking the operating licenses of twenty (20) Financial Intermediation Firms in implementation of article 39 of law 3606/2007.*

- *Initiated the procedure for revoking the operating licenses of two (2) Financial Intermediation Firms in implementation of HCMC Rule 5/461/24.1.2008.*

Listed Companies

- *Fines were levied on six (6) listed companies for violating PD 350/1985 on the obligations of ATHEX listed companies.*

- *Fines were levied on two (2) listed companies for violating article 24 of PD 348/1985 on the obligation to prepare and publish a supplementary prospectus.*

- *Fines were levied on three (3) listed companies for violating PD 360/1985 on the disclosure of information about ATHEX listed companies.*

- *Fines were levied on twenty one (21) listed companies for violating the provisions of P.D. 51/1992 concerning the information that must be disclosed upon the acquisition and sale of major shareholdings in ATHEX-listed companies.*

- *Fines were levied on two (2) listed companies for violating article 76 of law 1969/1991 on the provision of information to the Hellenic Capital Market Commission. .*

- *Fines were levied on two (2) listed companies for violating law 3401/2005 on prospectus addendums.*

- *A fine waw levied on one (1) listed company for violating law 3301/2004 on Financial Collateral Arrangements in implementation of the International Accounting Standards.*

- *A fine was levied on one listed (1) company for violating articles 10 of Law 3340/2005 on the issuers' obligation to publish and maintain websites.*

- *Fines were levied on four (4) listed companies for violating law 3556/2007 on the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.*

- *Fines were levied on four (4) listed companies for violating HCMC Rule 5/204/14.11.2000 on the Code of Conduct for Listed Companies and persons connected to them.*

- *A fine was levied on one (1) listed company for violating HCMC Rule 3/347/12.7.2005 on issuer obligations concerning the disclosure of transactions.*

- *A fine was levied on one (1) listed company for violating HCMC Rule 4/507/28.4.2009 on the timing of disclosure of data and information.*

Legal Entities

- *Fines were levied on fifteen (15) legal entities for violating the provisions of P.D. 51/1992 on the information that must be disclosed upon the acquisition of major shareholdings in ATHEX-listed companies.*

- *A fine was levied on one (1) legal entity for violating law 3401/2005 on prospectus addendums.*

- *A fine was levied on one (1) legal entity for violating article 76 of law 1969/1991 on the non-provision of information to the Hellenic Capital Market Commission.*

- *A fine was levied on one (1) legal entity for violating PD 360/1985 on the disclosure of information about ATHEX listed companies.*

- *Fines were levied on two (2) legal entities for violating articles 8 and 25 of Law 3606/2007 on persons eligible for providing investment services and their professional conduct upon providing such services.*

- *A fine was levied on one (1) legal entity for violating HCMC Rule 1/452/1.11.2007 on the code of conduct for investment firms.*

- *A fine was levied on one legal entity for violating law 3556/2007 on the obligation to provide information about the acquisition or sale of major holdings or the exercise of major voting right percentages and inform accordingly the HCMC.*

Individuals

- *Fines were levied on eighteen (18) individuals for violating the provisions of P.D. 51/1992 on the information that must be disclosed upon the acquisition and sale of major shareholdings in ATHEX-listed companies.*

- *Fines were levied on five (5) individuals for violating article 76 of law 1969/1991 on the non-provision of information to the Hellenic Capital Market Commission.*

- *Fines were levied on two (2) individuals for violating paragraph 1, article 13 of Law 3340/2005 concerning the obligation of persons that exercise managerial duties on behalf of issuers to disclose to the latter any transactions performed on their own behalf and concern the issuer's shares.*

- *A fine was levied on one (1) individual for violating articles 9, 14, 19 of Law 3556/2007 on the obligation to provide information about the sale of major holdings, the disclosure procedures and the notification of the HCMC.*

- *A fine was levied on one (1) individual for violating HCMC Rule 3/347/2005 on issuer obligations.*

- *A fine was levied on one (1) individual for violating article 8 of Law 3606/2007 concerning the persons eligible for providing investment services.*

During 2010, the Hellenic Capital Market Commission levied fines of a total worth of 2,597,500 euros. The allocation of fines among market entities is presented in Table 31.

TABLE 31. Number and value of fines, 2010.

Number of cases	Entity	Fines (€)
18	Investment Firms	212,000
14	Mutual Fund Management Firms	54,500
0	Portfio Investment Companies	-
1	Financial Intermediation Firms	1,000
52	Listed Companies	989,000
31	Other Legal Entities	477,000
35	Individuals	864,000
Total: 151		Total: €2,597,500

Source: HCMC

Supervision & Monitoring of the behaviour of listed companies

According to article 10 of Law 3340/, the issuers of shares listed in the ATHEX must disclose, without any culpable tardiness, any privileged information related to them. A main prerequisite for the application of the provisions of article 10 is that such information should be of "privileged" nature, as specified by HCMC Rule 3/347/2005.

Pursuant to its duties concerning the supervision of company compliance with the provisions of the aforementioned law, in 2010 the competent department of the HCMC sent almost 62 letters to supervised companies, requiring them: (i) to immediately disclose all information deemed as "privileged" and concerning the said companies, without waiting for the finalization of the situation, or event, to which this "privileged information" refers to, and (ii) in the case of already disclosed information, to disclose at least those items of information that are necessary for the provision of investors with accurate, adequate, and clear information, in order to preclude any ambiguous or unclear interpretation.

According to the provisions of article 2, paragraph 1 of HCMC Rule 5/204/14.11.2000, all companies whose shares are listed in the ATHEX must immediately confirm, or deny, any unverified information that might materially affect the price of their shares, clarifying at the same time the current stage of the events to which the relevant information refers to.

Pursuant to its duties concerning the supervision of listed company compliance with HCMC Rule 5/204/14.11.2000, in 2010 the competent department of the HCMC sent almost 48 letters to companies, requiring them to confirm, or deny, unverified information, in accordance with the aforementioned provisions.

The review of announcements and the investigation of unverified rumours or information, which is performed daily due to both their everyday flow and their immediate nature, showed that a large number of listed companies has complied, without any interference from the HCMC, with the aforementioned regulations. In case no timely or reliable information has been provided, the appropriate investigations are performed.

In regard to the aforementioned regulations, in 2010 the HCMC levied fines of a total value of 785,000 euros in eleven (11) cases, for insider trading, delays in the disclosure of privileged information, dissemination of false information and delayed confirmation of information.

Disclosure obligations are designed to protect investors and guarantee their confidence in the accuracy and objectivity of stock market information. Moreover, these provisions are designed to inform investors and protect them from any consequences on the financial position, and financial data of the company, which may be caused by events such as changes in business activity, or the omission to deny or confirm unverified information, or rumors, or the leakage of information about impeding developments pertaining to the company's business activity, which might affect the prices of its share.

Moreover, as part of monitoring compliance with the provisions regarding the disclosure of privileged financial information by security issuers, the competent Directorate of the HCMC: supervises the companies' compliance with the provisions that prohibit market abuse and the abuse of privileged information through the issuers' financial reports and other financial information, including financial result forecasts and the deviations from those forecasts.

As part of the above, the HCMC sent 11 letters to supervised companies, requiring them to immediately disclose all information deemed as "privileged" and concerning the existence of overdue obligations or claims, the disclosure of tax audit results, major court cases and other major post balance sheet events.

For the relevant violations, the HCMC levied total fines of €260,000 on one (1) company, the persons responsible for the preparation, and the statutory auditors, of its financial statements for the dissemination of false and misleading information through the financial statements. Moreover, it levied fines of €125,000 on 3 listed companies for failing to inform investors about a substantial amendment in already published financial forecasts.

In the context of the provisions of Law 3556/2007 on the obligations concerning the announcement and disclosure of major holdings, shareholders and other responsible persons submitted more than 700 announcements. The number of these announcements was increased by almost 16% as compared with 2009.

Furthermore, as part of supervising compliance with obligations concerning the disclosure of major holdings (law 3556/2007 and its predecessor, PD 51/1992) in 2010 the HCMC imposed total fines of approximately 530,000 on various individuals or legal entities.

The supervision of listed company compliance with obligations regarding the regular provision of investors with information about financial statements uncovered 3 cases on delayed disclosure of financial reports and 7 cases of insufficient compliance with the IFRS, and as a result the shares of these companies were placed either under suspension or under supervision, according to case. In addition, as part of the review of the financial statements, 58 letters were sent to listed companies requiring them a) to correct the errors that were detected, b) disclose further information and c) provide clarifications on the accounting methods adopted.

Supervision & Monitoring of takeover bids

In 2010, ten (10) requests takeover bids for securities traded in the ATHEX were submitted to the Hellenic Capital Market Commission (Table 32), along with five (5) requests for the execution of squeeze-out rights, i.e. the right of the Acquirer that, after the end of the bid, possesses transferable securities representing at least ninety percent (90%) of the Target Company's voting rights to demand the acquisition of all the remaining transferable securities of the Target Company.

More specifically, in 2010 the following requests were submitted to, and approved by, the Hellenic Capital Market Commission: (1) A request by Mr. Antonios Liberis for exercising its squeeze-out right on the share of Liberis Publications SA (approved on 08.07.10); (ii) a request by SANDRINA SA for exercising its squeeze-out right on the shares of Ch. Benroubi & Son SA (approved on 08.07.10); (iii) a request by Delhaize "The Lion" Nederland B.V. for exercising its squeeze-out right on the shares of A-B Vassilopoulos SA (approved on 08.07.10); (iv) a request by the Agricultural Bank of Greece for exercising its squeeze-out right on the shares of Agrotiki Insurance SA (approved on 08.07.10); (v) a request by SAROGAD Investment Limited SA for exercising its squeeze-out right on the shares of INFORMER Business Systems Integration SA (approved on 08.07.10).

Moreover, in conjunction with Law 3371/2005, but also after requests of the companies themselves for the de-listing of their shares, the Board of the HCMC decided to de-list the shares of eight (8) companies. More specifically, following the completion of the take-over bid and squeeze-out procedures, seven (7) companies submitted requests to the HCMC, concerning the de-listing of their shares from the Athens Exchange in accordance with art. 17, paragraph 5 of Law 3371/2005 as currently in force, which were approved by the Board of the Hellenic Capital Market Commission: (1) Rainbow SA. Approved on 27.01.10; (ii) Singular Logic SA. Approved on 24.03.10. (iii) Ch. Benroubi & Son SA. Approved on 02.09.10; (iv) "Liberis Publications SA". Approved on 29.09.10; (iv) "A-B Vassilopoulos SA". Approved on 29.09.10; (vi) "Agrotiki Insurance SA". Approved on 07.10.10 and (vii) INFORMER Business Systems Integration SA. Approved on 29.11.10. Moreover, following a decision of its General Shareholders' Meeting and the submission of the relevant request, the Board of the

Hellenic Capital Market Decision decided to de-list the shares of "Vivartia Holding SA" (approved on 23.12.10).

TABLE 32. Take-over bids in the capital market, 2010

Rank	Date of submission	Type of bid	Bidder	Target company	Date of Approval	Acceptance period	% of shares prior to the bid	Rank
1	27/1/2010	COMPULSORY	ALFA WOOD SA	SHELMAN SWISSHELLENIC WOOD PRODUCT MANUFACTURERS SA	25/2/2010	2/3/2010 - 30/3/2010	72.09%	84.83%
2	25/2/2010	VOLUNTARY	Mr. ANTONIOS LIBERIS	LIBERIS PUBLICATIONS SA	24/3/2010	30/3/2010 - 27/4/2010	91.03%	96.81%
3	10/3/2010	COMPULSORY	SANDRINA SA	CH. BENRUBI % SON SA	21/4/2010	26/4/2010 - 25/5/2010	47.34%	96.11%
4	12/3/2010	VOLUNTARY	DELHAIZE "THE LION" NEDERLAND BV	A-B VASSILOPOULOS SA	8/4/2010	14/4/2010-12/5/2010	90.00%	90.83%
5	30/3/2010	VOLUNTARY	AGRICULTURAL BANK OF GREECE	AGROTIKI INSURANCE SA	21/4/2010	26/4/2010 - 21/5/2010	84.15%	94.74%
6	3/5/2010	COMPULSORY	SAPPHIRE LAMDA CAPITAL SA	FASHION BOX HELLAS SA	22/7/2010	27/7/2010 - 31/8/2010	78.83%	95.84%
7	10/5/2010	COMPULSORY	SAROGAD INVESTMENTS LIMITED	INFORMER BUSINESS SYSTEMS INTEGRATION	24/6/2010	29/6/2010 - 27/7/2010	78.85%	90.39%
8	21/9/2010	COMPULSORY	LOMOND SERVICES SA	CROWN HELLAS CAN	PENDING			
9	19/10/2010	COMPULSORY	VIVERE MEDICAL RESOURCES SA	FASHION BOX HELLAS SA	12/11/2010	17/11/2010 - 14/12/2010	96.51%	97.14%
10	30/11/2010	VOLUNTARY	TH.B.FASHION SA CLOTHES TRADING & REAL ESTATE DEVELOPMENT	VARDAS SA	23/12/2010	28/12/2010 - 8/2/2011	73.34%	94.34%

Source: HCMC

LEGISLATIVE AND INSTITUTIONAL INITIATIVES

The new European regulation on Credit Rating Agencies

Credit rating agencies (CRAs) assign ratings regarding the creditworthiness of debt issuers, helping overcome information asymmetries between the issuers and those investing on debt instruments. CRAs have a great influence on financial markets, since their rating activity is closely followed by investors, issuers, borrowers and governments alike. Therefore, they must consistently provide independent, objective and high quality credit ratings.

In August 2007, a severe confidence crisis broke out in financial markets all over the globe. This crisis was a complex phenomenon, involving many factors. CRAs contributed significantly to the economic upheaval. The crisis originated in the US subprime mortgages market and soon spread out to other financial markets. CRAs were closely related to the emergence of problems in subprime loan markets, by assigning the highest possible ratings to structured financial products created with the aim of enhancing investor confidence.

The impact assessment presents a series of alternatives for dealing with the situation on the EU level. The European Commission proposed a set of measures aimed at conflicts of interest, the transparent operation of CRAs and specific aspects concerning the quality of the rating process. The said measures were supported by a system for the registration and supervision of CRAs operating in the EU, established on the basis of Community law.

Taking into account the history of financial scandals in the US and the EU at the turn of the century and following the resolution passed on CRAs by the European Parliament in February 2004, the Commission reflected carefully on whether new legislation is needed for regulating CRA operations. Based on the recommendations made by securities regulators in March 2005, the Commission decided not to present any new proposals regarding CRAs, adopting the view that the existing financial services directives applicable to CRAs provide answers to all major questions made by the European Parliament.

CRAs are subject to various financial services directives, especially those on market abuse and capital requirements. They are also voluntarily subject to the fundamentals of the Code of Conduct for CRAs of the International Organization of Securities Commissions (IOSCO). In 2006, the European Commission issued a statement on CRAs, which concluded that this approach would require the Commission to follow-up developments in this field. Moreover, the Commission asked national regulators to monitor compliance with the IOSCO code and submit annual reports.

The Commission said that it could consider imposing specific regulation if it were made obvious that compliance with EU rules or the IOSCO code is not satisfactory or if a new situation emerged — such as serious market dysfunctions or major changes in CRA regulation in other parts of the world.

In view of recent developments in financial markets, in the autumn of 2007 the Commission requested advice from a group of European securities markets exports on various aspects of the CRAs activity and role in financial markets. The Commission followed up the work of both groups throughout the entire procedure. Both groups conducted extensive stakeholder consultations, especially in regard to the role of structured finance in the subprime mortgage upheaval.

Apart from closely following up the regulators' work, the Commission discussed with major credit rating agencies and other stakeholders (professional unions from the insurance, stock market and banking sectors, providers of information etc.)

Moreover, it received the written views of a wide range of market associations, participants and stakeholders. On the international level, it closely followed other developments, such as the revision of the Code of Conduct for CRAs that was approved by IOSCO on May 26, the report of the Financial Stability Forum that was published on April 7, 2008 and the US proposal on the amendment of the CRS legislation that was presented on June 11 and July 1 2008.

In addition, the Commission followed-up the consultations conducted by both the IOSCO and the FSF. It considered the various initiatives proposed and/or implemented by CRAs, either individually, or by sector, and benefited from extensive informal dialogue with CRAs. Is also encouraged the submission of stakeholder comments as part of a public consultation that begun on July 31, 2008, and received 82 responses: 13 from CRAs, 52 from stakeholder organizations (banks, associations, investment firms, postal banks etc) and 17 from securities regulators and national finance ministries.

ACTIVITIES OF THE LEGAL SERVICE

In 2010, the Directorate of Legal Services of the Hellenic Capital Market Commission handled many legal cases of the HCMC, which were heard in front of the competent courts, and were attended by the Directorate's attorneys. These cases included the hearing of cases in administrative courts, in civil courts, in penal courts, and in the Court of Auditors. The Directorate also dealt with the preparation of other cases, which were heard in the competent courts either without the attendance of the Directorate's attorneys, or with the attendance of third attorneys. In this context, the Directorate prepared for criminal cases without attendance in front of criminal courts, since the HCMC was not entitled to attend as a plaintiff, and also prepared briefs that had been assigned to third attorneys due *to the peculiarity of their subject, or because their were pending in courts out of Athens. The DLS proposed to the Executive Committee to apply the legal means of appeals or notices of appeals against court orders in many cases.*

The attorneys of the Commission prepared, after the relevant decisions of the Commission's competent departments, and submitted in front of courts and public prosecutors civil court lawsuits, appeals against first instance court orders, notices of appeal against second instance court orders, indictments for various violations of criminal and capital market law, and money laundering reports. Moreover, the attorneys of the Commission offered their legal assistance to the competent departments of the HCMC in many cases, drafting opinions on various legal issues on quite a few cases, and drafting memoranda on various legal issues that have arisen during the drafting of proposals to the Board and the Executive Committee concerning violations of capital law and the corresponding decisions of the Board and the Executive Committee in many cases.

They offered legal advice in the form of comments or corrections (without drafting a memorandum or an opinion) during the drafting of letters concerning the exercise of hearing rights, as well during the drafting of proposals to the Board and the Executive Committee regarding violations of capital law and regarding procurements or the signing of work contracts and during the preparation of the relevant individual decisions of the Board and the Executive Committee and the drafting of the relevant contracts, in many cases. DLS attorneys participated in the preparation of draft laws, amendments and regulations, in EU workgroups for the drafting of new Directives or the transposition of existing Directives into national law, as well as in seminars and conferences concerning the capital market.

PROFESSIONAL CERTIFICATION OF CAPITAL MARKET AGENTS

The current regime for the professional certification of capital market agents is regulated by means of HCMC Rule 3/505/3.4.2009 (Gazette B 873/11.5.2009), in implementation of article 4 of Law 2836/2000 (Gazette A 168), as amended by article 49(2) of Law 3371/2005 (Gazette A 178), which was later replaced by article 14 of Law 3606/2007 (Gazette A 175).

The regime applicable to the year 2010, provided for the obligation of Investment Firms, Financial Intermediation Firms, Mutual Fund Management Firms, and Portfolio Investment Companies, which have been licensed, and are supervised, by the Hellenic Capital Market Commission, to employ for the provision of investment services only holders of Professional Adequacy Certificates. The Rule determines the maximum number of trainees that may be employed by each Firm, as well as the maximum time period during which firms may employ trainees, prior to their successful participation in the Certification Exams or the Certification Seminar (a1).

The Professional Adequacy Certificate refers to five specific types of investment services:

(a1): Receipt, transmission and execution, on behalf of third parties, of orders on transferable securities, shares in collective investment undertakings, and money market instruments.

(a2): Receipt, transmission and execution, on behalf of third parties, of orders on derivative products.

(b): Provision of investment advice concerning transferable securities, shares in collective investment undertakings, and money market instruments, derivative products, and structured financial products.

(b1): Provision of investment advice concerning transferable securities, shares in collective investment undertakings, and money market instruments.

(c): Client asset management.

(d): Preparation of analyses on financial instruments or issuers.

The Certificate is bestowed by the HCMC if the applicant has successfully sat in certification exams or attended certification seminars, or is the holder of a CFA (Series 3) or CIIA (Final) degree, or equivalent professional adequacy certificates issued by the competent authorities, or agencies, recognized by the competent authorities of EEA member-states, the US, Canada and Australia, and have successfully sat in the exams on the "Institutional framework of the capital market".

Apart from taking the tests, certification will be provided in case certain criteria regarding the acceptability of each individual are fulfilled, such as: (a) the fulfillment of minimum personal reliability requirements that are specified by the Rule; (b) the fulfillment, according to case, of minimum qualifications that are specified by the Rule; and (c) the payment of a €100 Certification fee to the HCMC.

Moreover, HCMC Rule 3/505/3.4.2009 introduces the option to organize certification seminars addressed to applicants wishing to receive Certificate (a1) and working as trainees in the receipt and transmission of orders.

A similar certification requirement has been established for credit institution executives, under similar terms and conditions, which are specified by the joint Decision 4/505/3.4.2009 of the Board of the HCMC and the Governor of the Bank of Greece, whose implementation lies with the Bank of Greece.

In implementation of the above, 532 applications for participation in the exams or the seminars that were organized during the year (March-May, June - October-November-December) were submitted in 2010, and 300 professional adequacy certificates were granted. More specifically, 79 certificates were granted in area (a1), 79 certificates in area (a2), 47 certificates in area (b1), 35 certificates in area (b), 27 certificates in area (c) and 33 certificates in area (d).

Moreover, in implementation of the applicable provisions, in 2010 the HCMC granted, following the relevant requests, 39 professional adequacy certificates without participation in the exams (14 following requests for exception due to equivalence and 25 following requests for implementation of transitional provisions): more specifically, 19 certificates in area (a2), 2 certificates in area (b1), 9 certificates in area (b), 6 certificates in area (c) and 3 certificates in area (d).

Moreover, in implementation of the applicable provisions, in 2009 the HCMC granted, following the relevant requests, 87 professional adequacy certificates without participation in the exams (60 following requests for exception due to equivalence and 27 following requests for implementation of transitional provisions): more specifically, 30 certificates in area (a1), 27 certificates in area (a2), 8 certificates in area (b1), 17 certificates in area (b) and 5 certificates in area (c).

FINANCIAL RESULT

In a testing year for the Greek capital market, the Hellenic Capital Market Commission managed to balance its income with its needs, and show a small surplus of almost 200 thousand euros, as compared to a 720 thousand euros deficit in 2009. The following table 33 presents cash flow data.

Apparently, the improvement in financial results is due to the offsetting of the decrease in realized income by an even larger decrease in realized expenses. It should be noted that the containment of expenses is not only due to the "automatic" reduction in payroll costs as a result of the implementation of the relevant law, but, above all, to the drastic containment, by almost 22%, of administrative costs, as a result of prudent and effective financial management.

More specifically, the income for the year 2010 decreased by 1,637 million euros due a decrease in the contributions paid by supervised entities and the contraction of issuing activity in shares and bonds. Income from the execution and clearing of transactions in the regulated market remained more or less *unchanged, while there was a small increase in income from the issuance of new shares, due to the rise in the number of share capital increases by already listed companies.*

The expenses realized in 2010, were reduced by almost 2.565 million euros. Payroll costs decreased by almost 1.7 million euros or 15.6%, rents decreased by 12.3% and operating expenses decreased by 30%, or almost 680 thousand euros. This substantial reduction in operating expenses is mainly due to rent, public use and maintenance expenses. Finally, subscriptions to International Organizations increased by approximately 34 thousand euros because of the fact that the annual subscription paid to the European Securities and Markets Authority (ESMA) is higher than the subscription that used to be paid to the Committee of European Securities Regulators (CESR). Overall, the expenses of the Hellenic Capital Market Commission decreased by 17.2%.

TABLE 33. HCMC Financial Result, 2010

RESULTS	2009	2010	Difference	Percentage change
Total income	14,203,094.8	12,566,058.8	-1,637,036.0	-11.53%
Total expenses	14,922,4024.6	12,356,954.5	-2,565,447.9	-17.19%
– Payroll	10,949,178.3	9,241,986.8	-1,707,191.5	-15.59%
– Rents	1,461,297.6	1,281,724.2	-179,573.4	-12.29%
– Overheads	67,293.8	37,164.1	-30,129.7	-44.77%
– Subscriptions to International Organizations	163,138.4	197,218.6	34,080.3	20.89%
– Operating and other expenses	2,281,494.4	1,598,860.7	-682,633.6	-29.92%
Net Result	-719,307.2	209,104.3		

INTERNATIONAL ACTIVITIES OF THE HELLENIC CAPITAL MARKET COMMISSION

Notifications for the Provision of Investment Services in Greece

According to European Directive 2004/39/EC (MiFID) and its precursor, Directive 93/22 (ISD), investment firms intending to provide investment service

s in any EU member state (host member state), are obliged to notify this intention to the competent authorities of the home member state. Such notification must always be accompanied by a complete business plan. Thereafter, the competent authorities of the home member-state inform their counterparts in the host member-state accordingly.

The notification for the provision of investment services is the practical implementation of the "European passport" for the provision of such services, and ultimately aims at enhancing the single European capital market.

In the context of the implementation of the aforementioned European Directives during the period 1995-2010, the Hellenic Capital Market Commission has received notifications from 2,569 overseas firms wishing to provide investment services in Greece by means of the "European Passport" (Table 33). These notifications remain active in 1,912 cases.

The distribution of active notifications by country is the following: 1,595 companies come from the UK, 47 from Cyprus , 43 from the Netherlands, 41 from Ireland, 34 from France, 25 from Austria, 24 from Germany, 23 from Norway, 14 from Luxembourg, 10 from each of Belgium, Italy and Spain, 9 from

Denmark, 6 from Malta, 5 from Sweden, 4 from Finland, 3 from Bulgaria, 2 from each of Poland, Slovakia and the Czech Republic, and 1 company from each of Estonia, Portugal and Slovenia.

Furthermore, in 2010, 240 new companies coming from the UK submitted notifications regarding the provision of investment services in the Greek capital market, 19 from Cyprus, 5 from each of France and the Netherlands, 4 from each of Austria, Germany and Ireland, 3 from each of Luxemburg and Spain, 2 from each of Italy and Malta, and one from each of Belgium, Bulgaria, Denmark, Norway, Poland and the Czech Republic.

TABLE 34. Notifications for the Provision of Investment Services in Greece, 2008-2010

Country	Number of Notifications			Number of Cancellations			Total of Active Companies		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Austria	38	34	30	13	12	9	25	22	21
Belgium	15	14	14	5	3	3	10	11	11
Bulgaria	3	2	0	0	0	0	3	2	0
France	45	40	34	11	8	7	34	32	27
Germany	28	24	17	4	4	4	24	20	13
Denmark	9	8	7	0	0	0	9	8	7
Esthonia	1	1	0	0	0	0	1	1	0
Ireland	61	57	49	20	13	11	41	44	38
Italy	10	8	7	0	0	0	10	8	7
Spain	10	7	6	0	0	0	10	7	6
Cyprus	56	37	33	9	8	3	47	29	30
Luxembourg	16	13	10	2	2	1	14	11	9
Malta	7	5	3	1	1	0	6	4	3
Norway	24	23	22	1	1	0	23	22	22
Netherlands	61	56	53	18	16	11	43	40	42
Poland	2	1	1	0	0	0	2	1	1
Portugal	1	1	1	0	0	0	1	1	1
Slovakia	2	2	0	0	0	0	2	2	0
Slovenia	1	1	1	0	0	0	1	1	1
Sweden	11	11	9	6	6	6	5	5	3
Czech Republic	2	1	1	0	0	0	2	1	1
Finland	7	7	6	3	1	1	4	6	5
Britain	2,159	1,919	1,719	564	517	423	1,595	1,402	1,296
Total	2,569	2,272	2,023	657	592	479	1,912	1,680	1,544

Source: HCMC

Memoranda of Understanding

The purpose of Memoranda of Understanding (MoU) is to establish and implement a procedure for the provision of assistance among competent authorities for the supervision of the capital market, in order to enhance the efficiency of the supervisory function entrusted with them. These Memoranda enable supervisory authorities to exchange confidential information, in order to exercise supervision and achieve compliance of the supervised agents of the market with the existing institutional regulations. The memoranda of understanding between the supervisory authorities of different countries facilitate international co-operation between stock exchanges, companies and other capital market agents, and therefore are the first stage for the establishment and further improvement of the relations among these countries' capital markets.

The Hellenic Capital Market Commission, the Committee of European Securities Regulators (CESR) and the European Securities and Markets Authority (ESMA)

In 2010, the Committee of European Securities Regulators (CESR) was transformed into the European Securities and Markets Authority (ESMA).

The CESR (Committee of European Securities Regulators) was established as an independent authority in accordance with the terms of a decision reached by the European Commission on June 6th, 2001 (2001/1501/EC), which was replaced by the decision reached on January 23, 2009 (2009/77/EC) that enhanced the role of CESR and increased its responsibilities. The CESR was one of the two commissions envisaged by the final Lamfalussy report (the other is the European Securities Committee) concerning the regulation of European securities markets, which was chaired by baron Alexandre Lamfalussy (Lamfalussy Committee of Wise Men).

As a result of the international financial crisis, in 2010 the European Union revised, in implementation of the proposals made by the de Larosière Report, the financial supervision architecture, mainly focused on the establishment of macro- and micro-prudential supervision. Macro-prudential supervision was enhanced through the establishment of the European Systemic Risk Board (ESRB) and three new supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). These new authorities started their work in 2011.

The preparation for the transition of the CESR to the new regime of the European Securities and Markets Authority (ESMA) took place in 2010. ESMA is an independent EU Authority that was established on January 1st 2011, in accordance to EU regulation 1095/2010. The Authority contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. ESMA aims at fostering supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities. ESMA's work on securities regulation aims at the development of a single rule book in Europe. This serves two purposes: first, it ensures the consistent treatment of investors across Europe, by establishing an adequate level of protection of investors through effective regulation and supervision. Second, it promotes equal conditions of competition for financial service providers, and ensures the effectiveness and cost efficiency of supervision for supervised companies. As part of its role in standard setting and reducing the scope of regulatory arbitrage, ESMA strengthens international supervisory co-operation. Wherever required by European law, ESMA undertakes the supervision of certain entities with pan-European reach, such as credit rating agencies (CRAs).

ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating actions of securities supervisors or adopting emergency measures when a crisis situation arises. ESMA is the full successor to the CESR.

The CESR and the Financial Crisis

In 2010, the CESR continued to contribute to the coordination of measures taken by EU capital market supervisors, closely monitoring developments in, and the operation of, markets under the current conditions of financial crisis, and convening in order to take measures that promote the smooth operation of capital markets. All these measures were taken with the aim of enhancing confidence in financial markets, as well as investor protection. More specifically, the CESR, being the network of European Union capital market regulators, coordinated its members' actions in regard to short selling *practices. Many EU regulators have adopted measures or took action in their markets with the aim of either limiting or setting strict conditions or further data reporting requirements in regard to short selling. Other members are considering whether it is necessary to add new requirements to those already existing, taking into account the developing conditions in the market and the peculiarities of their own domestic markets.*

In general, CESR members have enhanced the monitoring of financial markets, in order to combat possible cases of market abuse, and other practices that could endanger their smooth operation. These measures aim at ensuring increasing compliance, as well as imposing penalties for possible market abuse practices. As part of regular reporting to the EU capital market regulators, the CESR had already carried out a survey since 2009, in order to notify the ECOFIN Council about the existing short-selling requirements and/or limitations that apply in each member-state. CESR members continued to closely monitor the smooth functioning of post-trade infrastructures, in order to ensure the proper execution of transactions during this turbulent period.

The CESR also completed other important initiatives for implementing the recommendations decided by the Financial Stability Forum. One example is the survey regarding market transparency on non-equity financial instruments, risk management principles for UCITS, and its ongoing work on Credit Rating Agencies.

Permanent Committees: CESR-Pol and CESR-Fin.

CESR-Pol consists of staff members from Securities Commissions-members of the CESR, responsible for collaboration, information exchange and supervision. CESR-Pol was formed by the conclusion of the Multilateral Memorandum of Understanding on the exchange of confidential information and the supervision of activities pertaining to securities (January 26th, 1999). The objective of the CESR-Pol is to facilitate effective information exchange, in order to improve co-operation and the co-ordination among CESR members in the fields of supervision and imposition of sanctions.

CESR-Pol, and especially its Subcommittee on market abuse (the Market Abuse Directive Drafting Group), has worked on three sets of Level 3 guidelines (on the basis of the "Lamfalussy" process), in order to ensure the consistent implementation of the Directive on Market Abuse. Although the guidelines are not binding for regulators, CESR members have agreed to comply with the relevant provisions during the supervision process, since these provisions describe how they perceive and implement the legal prerequisites set by the Directives, and the executive means for their realization.

CESR member recognize the major role played by the guidelines, on one hand in regard to supervisory convergence at the European level, and on the other hand for the provision of guidance to market participants. Many of the issues included in the work programme of the CESR have been pointed out by market participants during the consultation process on relevant working papers.

Two major steps in this process have been the publication of the first and second set of CESR guidance on Market Abuse in May 2005 and July 2007. In May 2009, the CESR-Pol published the third set of guidelines, produced after the completion of the consultation process. The guidelines concern insider lists, suspicious transaction reports, stabilization and buy-back programs and the two-fold notion of "inside information".

In March 2010, CESR issued its technical advice to the European Institutions and recommended the introduction of a pan-European short-selling disclosure regime. Those CESR Members that already have powers to introduce a permanent disclosure regime, as elaborated in the CESR report, will begin the process of implementing this regime. Those CESR Members who do not have the necessary legal *powers will aim towards implementing this regime on a best efforts basis, until an EU regime is adopted.*

The CESR recognised that legitimate short selling plays an important role in financial markets. It contributes to efficient price discovery, increases market liquidity, facilitates hedging activities and can possibly help mitigate market bubbles. However, it can also be used in an abusive fashion to drive down the price of financial instruments to a distorted level and, in extreme market conditions, can have an adverse impact on financial stability. As a result of the recent financial crisis, it was widely recognised that for a short selling disclosure regime to be efficient and to ensure transparency for market participants, a convergent pan-European regulatory approach is necessary.

To this end, in July 2009 the CESR launched a consultation on a proposal for a pan-European short selling disclosure model, and received 49 responses. After carefully considering the submissions received, the CESR prepared its technical advice on a model for a pan-European short selling disclosure regime.

The proposed short selling disclosure regime is a two-tier model for the disclosure of significant individual net short positions in all shares that are admitted to trading on an European Economic Area (EEA) regulated market and/or an EEA Multilateral Trading Facility (MTF). Once a net short position has reached a specified first trigger threshold, its holder is obliged to disclose it to the relevant regulator. The trigger threshold is proposed to be set at 0.2% of the company's share capital. If the short position then reaches a second, higher threshold, of 0.5%, an obligation to make a public disclosure both to the market as a whole, and to the regulator, will be triggered. If the short position reaches additional steps of 0.1%, it should be disclosed to both the regulator and the market. Disclosure to the regulators is also required if the positions fall below any threshold, including the trigger thresholds of 0.2% and 0.5%.

In calculating whether a disclosure is required, market participants should aggregate any position which provides an economic exposure to a particular share. Therefore, positions held in exchange-traded and OTC derivatives should be included, as well as short positions in cash markets. Disclosure calculations and reports should be done on a net basis with any positions involving long economic exposures to a share subtracted from the short positions. Disclosure reports of short positions —either to the regulator, or to the market— will be made on the trading day following that on which the relevant threshold or additional step has been crossed. Market makers are exempted from the disclosure requirements.

By proposing a pan-European harmonised short selling disclosure regime, the CESR seeks "to enhance supervisory convergence, improve market transparency and promote market efficiency and integrity". The CESR continues working on this issue, to ensure greater clarity on the technical details necessary to implement such a regime effectively.

The other standing committee, CESR-Fin, consists of staff members from national Securities Commissions-members of the CESR, who are responsible for the supervision and the proper implementation of rules concerning the publication of financial results and compliance with transparency requirements by listed companies. Its main role is to co-ordinate the work of the CESR on the endorsement and observance of the International Accounting Standards and other transparency requirements concerning financial results in the European Union, in the context of its strategy for the adoption of a single financial reporting framework. It also provides CESR observers with the necessary support in the context of the operation of the mechanism for the endorsement of the International Accounting Standards, the main aim being their adoption and implementation by the European Union.

The CESR-Fin plays an active role in the European approvals of accounting standards and their interpretations that are published by the IASB and the IFRIC, as well as in future legislative *developments regarding audit procedures. This entails that CESR-Fin is capable of supervising the procedures related to the establishment of accounting standards, and of developing stronger ties with similar European and international organizations, such as: ARC, AuRC, EFRAG, IASB, IASSB and the EU Accounting Roundtable.*

These objectives are better achieved through the operation of this standing committee which is responsible for all issues pertaining to accounting standards, and its sub-committee (the European Enforcers Co-ordination Sessions-EECS), which is working on specific operational issues and will comprise both CESR members and non-members responsible for the implementation and enforcement of the IAS. Moreover, this standing committee will enjoy more flexibility in creating and dissolving working groups, in order to provide swift responses on key issues that arise in its field of activity. It also maintains a close working relationship with the executives of the US Securities and Exchange Commission (SEC), in an effort to prevent regulatory conflict during the implementation of the IFRS and the US GAAP.

In August 2010, the CESR announced a series of proposed measures for developing pan-European access to financial information disclosed by public entities. The purpose of these measures is "to harmonise and enhance pan-European search facilities for financial information and to investigate the possible introduction of XBRL reporting".

The first measure comprises a consultation paper on the development of pan-European access to financial information published by listed entities. The consultation paper introduces CESR's proposals for improving the search functions and interconnection between national storage facilities for financial information. Two options are presented in the consultation paper: The first proposes organizing national information depositories that will be accessible through one European search engine while the second option provides for the centralization of all data in a European central database. The responses to the consultation paper provided CESR with feedback for preparing a report that was submitted to the European Commission in the 4th Quarter of 2010. Links to existing national storage mechanisms, known as officially appointed mechanisms (OAMs) are now available on CESR's website under corporate reporting, either by share (through the MiFID database or via a list of links to the OAMs themselves).

The second measure, is based on the call for evidence on the use of a standard reporting format for financial reporting of issuers having securities traded on regulated markets, which was published in October 2009. The CESR announced its decision to move forward with an investigation of the possible use of eXtensible Business Reporting Language (XBRL) for the financial reporting of listed issuers.

In addition, the CESR conducted a cost-benefit analysis on the use of XBRL. The analysis considered a scenario under which there is a 5 year transitional period to introduce a mandatory requirement for issuers preparing consolidated financial statements using IFRS to file XBRL, mainly based on financial statements kept with the national Officially Appointed Mechanisms for the central storage of regulated information (OAMs). The transitional period also allows for the voluntary implementation of XBRL, commencing 2 years prior to the requirement itself.

Whether the CESR will ultimately recommend the introduction of XBRL reporting depends, among other things, on a detailed analysis identifying the needs of users of financial information, the impact on reporting entities, the quality of the XBRL Taxonomy as developed by the IFRS Foundation, as well as possible interactions with other regulatory bodies and requirements. The CESR expects to issue a consultation paper on this issue during 2011.

In September 2010, the CESR published its first annual activity report on the enforcement of International Financial Reporting Standards (IFRS) in Europe. The report shows an increase in the *regulators' enforcement activities, as well as increased consistency of the measures taken. In the activity report for 2009 regulators recognized an overall improvement of IFRS reporting quality, since the IFRS were adopted in Europe. Nonetheless, the report highlights the areas identified by regulators as those where issuers should further focus in order to ensure the improvement of investor information.*

Recognizing the capital markets' global nature and the need to maintain investor confidence worldwide, the report records the steps made by the CESR in 2009 for cooperation with third country accounting enforcers. This dialogue aims at encouraging the further harmonization of IFRS reporting by listed issuers worldwide.

The report is based on the activities of the European Enforcement Co-ordination Sessions (EECS), a forum created as part of the CESR's Corporate Reporting Standing Committee. The main purpose of the EECS is to coordinate the member-states activities in regard to IFRS enforcement in order to enhance and maintain investor confidence.

Overall, European enforcers reviewed the accounts (annual and interim) of almost 1200 companies, covering 18% of listed entities in Europe. Coverage varies from one country to another because of the very different number of issuers across jurisdictions, the diversity in size and their risk profile.

The report indicates that almost 900 enforcement actions were taken in Europe, 170 of which were reviewed by the EECS. The findings of these discussions enhanced the consistency of actions taken by the member states' enforcers, which is encouraging. Out of 900 enforcement actions, 19 actions required the issuance of revised financial statements. In almost 160 cases the listed issuer had to issue public corrective note or make other public announcements. Almost 560 actions required corrections in future financial statements.

The report also covers identified by enforcers, offering a clear indication for listed entities in the EU and the preparers of financial information about the issues that require improvement.

The CESR also continued its dialogue with the SEC and other third country enforcers of financial information. In October 2010, the CESR published its follow-up statement on the Application of Disclosure Requirements related to Financial Instruments that had been published in November 2009. In publishing this update, the CESR restated its commitment to report to the market on the subsequent developments in the area of financial instruments disclosures under IFRS. This statement presented the main enforcement actions taken by European regulators with respect to 2008 IFRS financial instruments disclosures and the effects those actions had on firm's 2009 IFRS financial statements. This 2009 Statement also presented the actions taken by European enforcers on the infringements identified in the 2008 IFRS Financial Statements. It also presented a comparative analysis of the level of compliance on mandatory disclosures based on the review performed by CESR with respect to the sample of 96 financial institutions analyzed in 2008.

As part of their supervisory role in relation to listed companies, European enforcers took various types of actions on the infringements identified in the 2008 IFRS financial statements, based on materiality and the legal powers available to the enforcers in each country. Almost 250 issuers were subject to actions taken by enforcers, of which 28 were included in the sample of financial institutions reviewed for the purpose of CESR's 2008 Statement. Apart from those measures, enforcers also alerted issuers on areas such as the fair value hierarchy, impairment of financial assets and liquidity risk disclosures.

Generally, improvements were identified in all areas. The detailed results on improved compliance were presented in section two of the report either as "significant" or as "some improvement", based on whether the level of compliance had increased by more or less than 15% compared to the previous *period. Disclosure requirements related to valuation techniques, an entity's own credit risk, day one profit or losses and special purposes entities were areas where significant improvement was noted.*

The report also noted that the amendments to IFRS 7, mandatory for the periods that started after 1 January 2009 and designed to provide information on the fair value hierarchy used by the companies, also saw a high level of compliance.

The Review Panel of the CESR

Following the Conclusions of the Stockholm Council of March 2001, the CESR formed the Review Panel, which is chaired by the vice-chairman of the CESR. The Review Panel comprises high-ranking representatives from CESR member-state regulators, and its mandate is to evaluate the practical implementation of European Legislation by CESR members, and the transposition of CESR standards into their national legislation.

In January 2010, the CESR published the results of a peer review of the implementation of CESR's guidelines to simplify the notification procedure of Undertakings for Collective Investment in Transferable Securities (UCITS). During 2008 a stock-taking exercise was conducted, in order to examine the degree of application by CESR's 27 members of 13 CESR guidelines on the notification of UCITS. The results published in January 2010 reflect the situation of the cut-off day set for the review, i.e. April 1st, 2008.

The work carried out by the Review Panel helped achieve CESR's objectives of increasing supervisory convergence amongst its Members through peer pressure as well as increasing transparency of implementation.

The report provided evidence of the level of application of the CESR guidelines on notification procedures for UCITS among CESR members. Out of the 13 CESR guidelines for UCITS notification, seven were identified as key guidelines according to the CESR self-assessment that had been published on the CESR website, namely: the notification letter (guideline 1); possible grounds to refuse notification (guideline 2); the start of the two-month notification period (guideline 4); the maximum two-month period for checking information (guideline 5); the requirement to submit the latest version of the notification and certification documents (guideline 7); and the marketing of only part of an umbrella fund and the single notification letter for several sub-funds and cross-reference (guideline 10).

In order for Members to be considered as fully applying the CESR guidelines, the benchmark set for the peer review required the full application of at least the key guidelines. This was the case for five CESR Members (Belgium, Bulgaria, Italy, Luxembourg and Norway).

Members were considered as partially-applying the guidelines when, according to the benchmark, any of the key guidelines were partially applied. This was the case for four CESR Members (Hungary, Portugal, Romania and Sweden). Countries were considered as being "non-applicants of the guidelines" when none of the key guidelines was fully complied with. This was the case for the twenty remaining CESR Members.

After the cut-off date of the peer review, April 1st, 2008, the situation might have possibly changed to a higher degree of compliance with the guidelines in the jurisdictions of some CESR Members, which have formally adopted national implementation measures – however, because of the cut-off date, the assessment of these measures was not part of this peer review. Furthermore, the UCITS IV Directive (chapter XI) integrates some of the simplifications to the notification procedure envisaged by CESR in the Guidelines, such as those regarding the electronic filing of the notification document, the language regime of the notification letter and the attestation of the home competent authority. In addition, the

European Commission may adopt implementing measures in other areas, which are partly covered by the CESR guidelines.

In April 2010, the CESR published a review of how securities regulators across Europe use the options and discretions available to CESR Members under the European Market Abuse Directive (MAD). The report gives evidence of the wide use of options and discretions by Member States with regard to the MAD regime. The CESR's stock-taking exersice found divergence in how national supervisors disclose information on supervisory measures or sanctions, the reporting of information about dealings of directors holding insider information and suspicious transaction reports.

While acknowledging the legitimate use of options and discretions, under the MAD regime, CESR's Review Panel restated its commitment towards increased convergence of supervisory practices in the EU and recommended that the results of this exercise should be taken into account in the ongoing revision of the Market Abuse Directive. This work follows the conclusions of the ECOFIN Councils of December 2007, which aimed at reducing the use of discretions, and of May 2008 and June 2009, on the need to enhance supervisory convergence in the EU. The CESR's re-commitment to facilitate convergence is in line with the recent decisions by the EU Parliament and Council for establishing a single European supervisory rule book.

Overall, CESR's review showed some divergence in the application of the MAD regime, but a greater level of divergence in the case of Multilateral Trading Facilities (MTFs). Four CESR Members believe that the full set of applicable MAD rules should be applied as a general rule to MTFs, while many Members only apply part of the MAD regime to all, or some, of their MTFs. However, the report showed that the majority (20 out of 29) of CESR Members applied some of the MAD regime to at least some of their MTFs.

Divergences were also detected in other areas. Regarding the provision of information about decisions to delay the publication of inside information, 16 Members required notification of the regulator should the issuer decide to delay the publication of such information, as opposed to 11 members that did not. In regard to the notification of transactions by persons discharging managerial responsibilities, 8 members had added requirements in addition to the minimum ones following from the relevant Level 2 directive. Also, the reasons for possible exemptions to professional secrecy vary in the membership and, as CESR has highlighted in previous work of the Review Panel, sanctions regimes differ between Member States. Regarding the disclosure of measures or sanctions, the report showed a clear division in the CESR membership between those regulators that publish every measure or sanction on market abuse violations (19) and those that do not (10). There are also divergences in relation to measures ensuring that the public is correctly informed. 15 members supervise directly these measures, in order to ensure that the public is correctly informed, while the tools and methods for doing so vary.

The report also revealed variations in the required content of Suspicious Transaction Reports (STRs). These variations concerned, for example, whether additional guidance has been issued, how the materiality thresholds have been set, and the extent to which OTC derivatives are covered in such STR reports. In addition, nine Member States required and nine Member States encouraged persons to voluntarily report suspicious unexecuted orders to trade.

Based on this survey, a number of recommendations for further CESR work aimed at increasing convergence were proposed. These recommendations included further work on the extension of the MAD regime to MTFs, once the Commission has addressed this issue in the MAD review. Further, CESR's Review Panel recommended that all Member States encourage the reporting of STRs on OTC derivatives, where the underlying asset is an instrument admitted to trading on a regulated market, until such time as it becomes mandatory due to impeding changes to the MAD directive. The work conducted by the Review Panel of the CESR was presented to CESR-Pol for further consideration.

The report was also presented to the European Commission, in order to serve as input into its ongoing review of the Market Abuse Directive.

In November 2010, the CESR published an executive summary on the actual use and application of the Prospectus Directive (PD) in member states. The executive summary contains the key findings of the full report and gives a picture of the practices applied in Member States in relation to different organisational aspects and controls in place regarding Prospectus controls. The mapping shows existing divergences in practices and in the day-to-day application.

This CESR project was conducted on the basis of the decisions taken by the ECOFIN Council of December 2007, and aimed at reducing the discretions used in Member States' implementation and application of the Directives of the Financial Services Action Plan. The Council's conclusions of May 2008 and June 2009 stressed the need to make progress in this direction in order to enhance European supervisory convergence.

The full report deals with those internal processes national supervisors follow to approve prospectus documents, the availability of the prospectus documents once approved, and the Member States' use of the authorisation for the omission of information. The CESR will take its findings as a basis for further internal work, and is forwarding these findings to the European Commission for further consideration.

Prospectuses are official documents that inform investors on the risk of a company at the moment of the initial investment. The PD requires issuers to publish a prospectus when offering securities to the public or admitting them to trading, and defines content requirements. By mapping the actual use and application of the PD within the EU, the CESR aims at facilitating further convergence. The mapping examined how CESR Members, when reviewing prospectuses, deal with:

- *The accuracy and comprehensiveness of comments included in the prospectus – To which extent key controls reported include the coordination of comments, the existence of a senior reader, the existence of an internal work instruction for the person vetting prospectuses, and always having a second reader. The mapping shows a mixed picture, with a system for coordination of comments being the tool most often used by 79% of CESR Members.*

- *The checking of completeness – Key controls performed by a large majority of Members (between 62% and 97%) include formal checks on all items, checks on publicly available information and comparison with previous documents, as well as meetings with the issuers and/or their advisors.*

- *Checking consistency – Key controls reported by almost all Members include checking the consistency of the information contained throughout the prospectus document itself and the documents incorporated by reference, while the control of consistency of prospectus information with information given in other instances was less often used as a rule.*

- *Verifying comprehensibility – Key controls in this respect were reported by a large majority of Members, including the requirement for a glossary of technical/specialist words and a requirement for a description of mathematical formulas. In addition, some Members require standards for disclosure of risk factors, and checks that the language is comprehensible from the perspective of an average investor. Moreover, they require the risk factor section to be easily understandable, and the structure of the prospectus to be clear.*

- *Ensuring the inclusion of all information that enables investors to make an informed decision. The members, with very few exceptions, reported that their key controls include requirements on information contained in the prospectus to be complete for each of the information items on a case-by-case basis as set out in Article 3 of the Prospectus Regulation, requiring supplementary information to* *be provided to the authority on a case-by-case basis as set out in Article 16 ensuring consistency and comprehensibility of information, and requiring disclosure of all material information which may have an effect on the assessment of the securities admitted to trading as set out in Article 21(4)(a) of the Prospectus Directive.*

- *Checks performed in regard to financial information. — All Members reported ensuring that steps were taken by issuers to meet the criteria laid out in annex II of the Prospectus Regulation 809/2004.*

- *A majority of Members confirm that the prospectus summary does not contain information which is not detailed in the main part of the prospectus document.*

- *In regard to controls carried out over the compliance of advertising activity, the Members are almost evenly divided between those that perform ex ante controls, and those who perform ex post controls.*

The CESR is currently in the process of developing best practices for the handling of prospectuses. In 2011, the CESR's Review Panel will conduct a peer review of the application of those best practices.

CESR Expert Groups

1. The Standing Committees on MiFID: the Standing Committee on Secondary Markets and the Standing Committee on Investor Protection and Intermediaries.

In April 2010, the CESR published three consultation papers to develop its technical advice to the European Commission. The papers were presented in the context of revieweing MiFID, the Markets in Financial Instruments Directive that came into force in November 2007. The review includes proposed technical advice by CESR on investor protection and intermediaries, equity markets and transaction reporting. The CESR invited stakeholders to comment on all of the three consultation papers by 31 May 2010.

Since MiFID came into force, European financial markets have undergone a fundamental restructuring. For instance, markets have seen greater competition and more pan-European trading, the emergence of dark pools, consolidation between exchanges, improvements in trading technology as well as other innovations, such as smart order routing, algorithmic trading and new clearing arrangements.

In its three consultation papers, CESR addressed areas of the MiFID legal framework where it has identified a need for improvement, including quality, cost and consolidation of post-trade transparency data and delays in the publication of such data. Furthermore, given the global financial crisis, regulators have identified a need to focus more on selling practices for certain financial instruments, in order to further improve the protection of investors, in particular retail investors.

The CESR has been working on assessing the functioning of the MiFID regime since 2008, when it provided the Commission with its advice on the review of the MiFID provisions relating to commodity derivatives trading. This work was followed by the publication of the report on the impact of MiFID on equity secondary markets that were operating in June 2009, and the submission of CESR's report on the transparency of corporate bond, structured finance product and credit derivatives markets to the European Institutions in July 2009. In the course of 2009, the CESR initiated additional work in preparation for the review of MiFID in other areas as well, including the assessment of some of the MiFID provisions on investor protection and considering the need for changes in the transaction reporting requirements of MiFID, once it had become evident that sufficient results cannot be achieved only through supervisory convergence.

The draft advice that CESR put for consultation was three-folded and included policy proposals on investor protection and intermediaries (I.), equity markets (II.) and transaction reporting (III.).

In addition, the CESR received from the Commission a request for additional information on some further areas. In a number of cases, these questions had been addressed by proposals within these consultation papers; however, in some cases the CESR launched a subsequent consultation on very specific areas. Further requests from the Commission also included some fact-finding questions, the CESR was requested to respond on the basis of supervisory experience. In these cases, the CESR provided its advice on this basis and did not consult on these areas.

In July 2010, the CESR published the first set of technical advice to the European Commission in the context of reviewing MiFID. This text comprises CESR "s advice on equity markets, non-equity markets transparency, transaction reporting, investor protection and intermediaries, as well as part of the responses to the request for additional information in relation to the review of MiFID that the Commission presented to the CESR in March 2010.

The advice that CESR puts forward is both extensive and very significant, tackling the key issues that both the CESR and market participants have identified as needing action. They aim at improving pre- and post-trade transparency and the orderly functioning of the markets, strengthening investor protection and ensuring securities regulators are equipped with tools that enable them effectively monitor trading. The CESR's recommendations take into account market developments since MiFID was originally drafted.

The technical advice published by the CESR is four-fold and includes policy proposals on equity markets (I.), non-equity markets transparency (II.), transaction reporting (III.) and investor protection and intermediaries (IV.).

I. Technical advice on equity markets

The technical advice on equity markets was prepared on the basis of the consultation paper published in April 2010, to which 76 responses were received. The advice includes data on dark trading taking place in regulated markets (RMs), Multilateral Trading Facilities (MTFs) and investment firm for 2008, 2009 and the 1st Quarter of 2010.

The main recommendations are:

Improving the pre-trade transparency regime for RMs/MTFs

Data collected by CESR shows that more than 90 percent of trading on organised markets in Europe is pre-trade transparent. The CESR recommends retaining the general requirement for pre-trade transparency on organised markets and MTFs. However, certain exceptions to pre-trade transparency should continue to be allowed under certain circumstances.

In order to provide greater clarity for regulators and market participants, and facilitate continuous supervisory convergence, the CESR seeks to move from a principle-based approach to waivers from pre-trade transparency, to a more rule-based approach. Moreover, the CESR recommends the Commission to provide ESMA with specific powers for monitoring and reviewing the pre-trade transparency waivers, and to develop binding technical standards in this regard.

In regard to particular waivers, the CESR recommends the Commission to undertake or commission further analytical work based on empirical data to determine whether the existing large-in-scale (LIS) waiver thresholds should be revised. The CESR also recognises the need for harmonizing of the treatment of "stubs" under the LIS waiver and recommends clarifying that venues using the reference *price waiver should not include any extra fee in the price of trades. With respect to the existing wording of the waivers, the CESR continues to work on appropriate clarifications which may, as appropriate, develop into binding technical standards at a later stage.*

In addition, the CESR recommends that MiFID be amended, in order to clarify that actionable indications of interest (IOIs) are considered to be orders and as such, subject to pre-trade transparency requirements.

Reviewing the definition of and obligations for systematic internalisers

The CESR recommends the Commission clarify the objective of the systematic internaliser (SI) regime and consider a broader review of this regime within the MiFID review, including further consideration of whether to establish appropriate thresholds for the material commercial relevance of the activity to the market and whether to retain/remove the price improvement restriction.

Notwithstanding the recommendation for a broader review, the CESR believes some clarification is needed to ensure the consistent understanding and implementation of the regime, as well as some specific amendments to the regime to improve the value of information provided to the market. Therefore, the CESR recommends clarifying the criterion "according to non-discretionary rules and procedures" in the definition of an SI and to revise the SI's obligations to require two-sided quotes and minimum quote sizes.

Enhancing the quality of post-trade transparency information

The CESR's recommendation was to retain the current framework for post-trade transparency, but with introducing formal measures to improve the quality of post-trade data, shorten delays for regular and deferred publication and to reduce the complexity of the regime. The CESR is working with the industry on detailed proposals for binding post-trade transparency standards and guidelines on the obligations for post-trade transparency, in order to provide further recommendations at a later stage.

As a supplement to the introduction of new standards on data quality and guidelines on trade publication, the CESR recommended requiring investment firms to publish their trades through Approved Publication Arrangements (APAs). All APAs should be subject to data publication requirements, in accordance with prescribed standards as set out in Annex I of the advice, including, for example, appropriate systems and controls for identifying incomplete or erroneous information received from investment firms and regulatory reporting requirements.

Extending transparency obligations to equity-like instruments

The CESR also recommended to extend the scope of the MiFID transparency regime by applying transparency obligations to equity-like instruments admitted to trading on a regulated market, including depository receipts, exchange-traded funds and certificates. These instruments are considered to be equity-like since they are traded like shares and are, from an economic point of view, equivalent to shares. The CESR believes that investors would benefit from a harmonised pan-European pre-and post-trade transparency regime for these instruments.

Improving the regulatory framework for consolidation, and cost of market data

The CESR recognised that there are still significant barriers to the consolidation of post-trade data and that, without further regulatory intervention, market forces are unlikely to deliver an adequate and affordable consolidation of transparency information on a pan-European basis. Therefore, the CESR recommended the establishment of a European consolidated base, whose main features will be outlined in MiFID. As far as technical implementation is concerned, the CESR recommended a *solution that involves the industry within a clear scope and tight timeframe set by the Commission and the CESR. The process for the development of the European consolidated base per industry should be launched and operate under the supervision of ESMA. In case of failure at any stage of the process, MiFID should identify a clear course of action and require the establishment of a mandatory single European consolidated base run as a not-for-profit entity on the basis of terms of governance to be set by ESMA.*

In orer to reduce the cost of market data for all users, the CESR also recommended that the Commission require the unbundling of pre- and post-trade transparency information. The data should be made available free of charge, with delays of no more than 15 minutes.

Establishing a new regulatory regime for broker crossing systems

In regard to broker crossing systems (BCSs), the CESR recommended the introduction of a new regulatory regime with tailored additional obligations for investment firms that operate such systems. This regime will include: (i) the notification by investment firms that they operate a BCS; (ii) the publication of a list of BCSs by CESR/ESMA; (iii) a requirement for a generic BCS identifier in post-trade transparency information; (iv) the publication of aggregate trade information at the level of each BCS at the end of the day, and the identification of BCSs in transaction reports.

The CESR also acknowledged the concerns expressed by some market participants and regulators about the speed of BCS growth and the potential impact of these OTC markets on price formation in the future. For that reason it was recommended to impose a limit on the amount of business that can be executed by BCSs before it is required to become an MTF.

Addressing certain options and discretions of MiFID

The CESR has identified certain options and discretions within the markets provisions of MiFID and consulted on whether it is desirable to eliminate them or turn them into rules. The CESR recommended to retain discretion regarding the use of pre-trade transparency waivers and to maintain the role of CESR/ESMA in considering the use of the waivers, in order to ensure their consistent and reasonable use. Taking the feedback from the consultation into account, the CESR proposed to retain the Member States' discretion to choose some of the criteria for defining liquid shares, and the existing discretion regarding requirements for admission of units in collective investment undertakings to trading on a regulated market. However, the CESR saw merit in converting the discretion of Member States under Article 22(2) of MiFID into a rule by prescribing that investment firms comply with their obligation to make an unexecuted client limit order immediately public by transmitting it to a pre-trade transparent Regulated Market or Multilateral Trading Facility.

Tackling market micro-structural issues

The CESR set out the key themes that emerged from its Call for Evidence on micro-structural issues of the European equity markets and proposed an action plan for further work in this area. The CESR also recommended to the Commission to amend MiFID so that it includes specific references to ESMA competencies to develop binding technical standards on RMs/MTF' organisational requirements regarding sponsored access, co-location, fee structures and tick sizes. Pending the revision of MiFID, the CESR was called to deal with some of these issues. The CESR will also continue working on high frequency trading to better understand any risks that it may pose to the orderly functioning of markets.

II. Technical advice on non-equity markets transparency

The technical advice on non-equity markets transparency was prepared on the basis of the consultation paper published in April 2010, to which 48 responses were received. In its advice, the

CESR makes detailed proposals on the calibration of the MiFID post-trade transparency regime for non-equity financial instruments following-up its earlier report on transparency of corporate bond, structured finance product and credit derivatives markets of July 2009, in which it recommended a mandatory post-trade transparency regime for these financial instruments.

The current advice goes beyond the CESR's previous report in many issues, since its scope includes sovereign Credit Default Swaps (CDSs) and public bonds. Since other derivatives, except from CDSs, had not been analysed in the past, the CESR also explored the possibility of a post-trade transparency regime for the most significant subset of these financial instruments: interest rate derivatives, equity derivatives, foreign exchange (FOREX) derivatives and commodity derivatives. Following a request by the European Commission, the CESR also reconsidered whether pre-trade transparency in needed in the case of corporate bonds, Asset Backed Securities (ABS), Collateralised Debt Obligations (CDOs), CDS and the other derivatives mentioned above.

The main recommendations include:

Re-defining the scope of a post-trade transparency regime for bonds

The CESR proposes that the MiFID post-trade transparency regime should cover the majority of the bonds, including not only corporate bonds, but also public bonds (i.e. bonds issued by public entities such as sovereign bonds, government bonds and regional bonds) for which a prospectus has been published and/or which are admitted to trading either on regulated market of the European Economic Area or on an MTF of the European Economic Area. It also proposed the inclusion of covered bonds, exchangeable bonds, convertible bonds and Spanish "participaciones preferentes" in the corporate bond regime.

The recommendation for the thresholds and delays for publishing the trade information on corporate and public bonds is based on three bands depending on trade size, with the corresponding delays. For example, the CESR proposes the real-time reporting of price and volume for transactions in public bonds for trade sizes below 1 million euros, whereas for transactions between 1 million and 5 million euros, the price and volume of the transaction should be made public at the end of the trading day. For transactions of more than 5 million euros, information on the price, but not the volume of the transaction, should be disclosed at the end of the trading day (with an indication that the transaction has exceeded the 5 million euro threshold). A similar proposal was made for corporate bonds, where real-time reporting should take place for transactions of a size between 500,000 and 1 million euros.

A phased introduction of a post-trade transparency regime for structured finance products

The CESR recommended that the transparency regime for structured finance products (SFPs) should cover all ABSs and CDOs for which a prospectus has been published (i.e. including all ABSs and CDOs admitted to trading on a Regulated Market of the European Economic Area) or which are admitted to trading on Multilateral Trading Facilities. Due to scarce illiquidity in these markets, the CESR recommends that transparency requirements should be introduced in a two step approach:

In the first phase, all instruments rated as AAA, AA or A (or any equivalent terminology used by credit rating agencies) should be covered. In the case of instruments covered in the first phase, price and volume of transactions below 5 million euros should be publicly disclosed at the end of the trading day, whilst in the case of transactions above that size information on the price, but not the volume (with an indication that the transaction has exceeded the 5 million euro threshold), should be disclosed at the end of the trading day. In the second phase, the remainder of structured financial products should be covered.

Extending the scope to clearing eligible sovereign CDS

In its July 2009 report, the CESR had proposed to include all CDS contracts which are eligible for clearing by a Central Counterparty (CCP) within the scope of a mandatory post-trade transparency regime, owing to their level of standardization. Following the positive response of market participants to the public consultation, the CESR proposed the regime's extension to sovereign CDSs once they become eligible for clearing.

Once again based on the different reporting requirements depending on transaction size, the CESR proposes a different regime for single name and sovereign CDSs (for which, as an example, real time reporting of price and volume is set out for transactions of a size below 5 million euros) and for index CDSs (for which their larger average trade size has been considered and the thresholds have been raised, so real time reporting of price and volume is set out for transactions of a size below 10 million euros).

Enhancing post-trade transparency of derivatives markets

Despite the difficulties in providing technical advice on these markets, given the heterogeneity of all the over-the-counter (OTC) derivative segments included in the analysis, the CESR insisted that enhancing post-trade transparency for these assets will assist market participants in making investment decisions and will help increase market transparency. For this reason, the CESR recommended to the European Commission the development of a harmonised post-trade transparency regime for these assets in the near future, and stated that it would assist the Commission in calibrating a regime for these assets which takes into consideration the different features of the markets in question.

Introducing pre-trade transparency requirements for non-equity financial instruments traded on RMs and MTFs

The CESR believes that, as far as the provision of pre-trade transparency information for financial instruments other than shares is concerned, there is currently an un-even playing field in the European Economic Area. Consequently, the CESR recommends that, given their growing importance, voluntary arrangements should be made formal and that a compulsory harmonised pre-trade transparency regime should be introduced. This regime should apply to organized trading platforms (Regulated Markets and Multilateral Trading Facilities) with respect to the non-equity instruments traded on these platforms. In a way similar to the pre-trade transparency regime for equity markets, this regime needs to be refined to provide appropriate pre-trade transparency standards for various market structures and trading models, taking into account the various instruments and asset classes traded. In the case of equity markets this may require the appropriate waivers.

Given the differing characteristics of OTC products, each with its respective market microstructure and the varying degree of liquidity exhibited in these markets, the CESR does not, at this stage, propose the introduction of mandatory pre-trade transparency requirements for OTC products. Nevertheless, the CESR would welcome any future regime that would allow Member States to introduce local requirements if they deem them to be necessary given the specificities of their markets.

III. Technical advice on transaction reporting

The technical advice on transaction reporting was prepared on the basis of the consultation paper published in April 2010, to which 48 responses were received. The main aim is to improve market supervision and ensure market integrity. The main recommendations included in the technical advice are the following:

Introducing a third trading capacity (client facilitation)

The CESR suggests the amendment of the MiFID Implementing Regulation through the introduction of a third trading capacity. The CESR initially thought that the introduction of a third trading capacity (riskless principal) would be the best way of differentiating the principal transactions made by a firm on its own account and those made on behalf of its clients from other types of principal and agency transactions. However, based on the feedback received during the consultation, the CESR decided to modify and clarify its proposal by introducing a "client facilitation" capacity.

Requiring the collection of client ID when orders are transmitted for execution

The CESR suggests an amendment to MiFID that would enable competent authorities to require the reporting of client ID when orders are transmitted for execution, with the transmitting firm either providing the client ID to the receiving firm or reporting the transaction, including full client ID, to the competent authority.

Extending transaction reporting obligations to market members not authorised as investment firms

The CESR suggests amending MiFID by introducing a transaction reporting obligation applicable to regulated markets and Multilateral Trading Facilities that admit as members undertakings currently falling under the Article 2(1)(d) exemption for all the transactions carried out by those members on the respective regulated market or Multilateral Trading Facility. This exemption would mean that transactions made by non-authorised firms on their own account would now fall within the scope of transaction reporting obligations.

IV. Technical advice on investor protection and intermediaries

The technical advice on investor protection and intermediaries was prepared on the basis of the consultation paper published in April 2010, to which 80 responses were received. The main recommendations set out in the technical advice propose the following changes:

Introducing minimum harmonised mandatory recording requirements for telephone conversations and electronic communications

The CESR believes that a common regime should be established in the European Economic Area for recording of orders received or transmitted by telephone or through electronic communications. The CESR proposes that the discretion for Member States to set rules on recording at a national level should be replaced by a minimum harmonized recording obligation applicable to the entire European Economic Area. This obligation should apply, in relation to all financial instruments covered by MiFID, to investment firms that provide the investment services of reception and transmission of orders, execution of orders on behalf of a client or portfolio management, or trade on their on own account. Investment firms should keep such records for a period of 5 years. The CESR believes that such an approach would be an important step towards consumer protection, and market supervision.

Requiring trading venues to produce reports demonstrating execution quality

The CESR proposes the introduction in MiFID of a general obligation for execution venues to produce regular reports on the quality of execution in shares. This will be supported by the clarification of the existing obligations of investment firms executing orders in shares to collect information enabling them to assess which execution venues should be included in their execution policies, in particular in regard to investment firms executing client orders on behalf of retail clients.

Clarifying the distinction between MiFID complex and non-complex financial instruments

The CESR proposes a more graduated risk-based approach to the distinction between complex and non-complex financial instruments for the purposes of the Directive"s appropriateness requirements.

This will involve updating the list of financial instruments set out by Article 19(6) of MiFID in relation to which investment firms (providing the other conditions of the article are met) can provide the services of the reception and transmission of orders and execution of client orders without the need to assess whether the product or service offered is appropriate for the client. These changes will be effected through subordinate legislation and/or guidance to provide greater clarity about their application.

Clarifying the scope of the definition of investment advice

The CESR believes that the current wording of Article 52 of the MiFID Implementing Directive, could be misunderstood as excluding personal recommendations, which are issued exclusively through distribution channels, from the definition of investment advice. The CESR proposes clarifying that investment advice can be provided through distribution channels. This proposal is made with the aim of protecting clients against the growing number of intermediaries that now use distribution channels, such as the internet and other similar means, to provide personal recommendations. Thus, the CESR proposes a revised definition of investment advice in response to this issue.

Harmonising the rules for the supervision of tied agents and related issues

The CESR recommends the further harmonisation of the rules on the use of tied agents and the reduction of differences resulting from the discretions of Article 23 of MiFID. This includes allowing investment firms in all Member States to appoint tied agents and prohibiting the tied agents of all investment firms from holding client money and/or financial instruments. It also proposes (through amendments to Articles 31 and 32 of MiFID) enhancing transparency by obliging the home competent authority to transmit the identity of any tied agents acting cross border to the host authority, who should then disclose this information to the public.

Addressing certain options and discretions of MiFID

Moreover, the CESR has identified further options and discretions that fall within the investor protection and intermediaries area, and has consulted on amending, eliminating or turning them into rules in order to ensure the same level of investor protection throughout all Member States. These include preventing competent authorities from outsourcing certain tasks related to authorisation and supervision, and requiring all Member States to allow competent authorities to have the power to require certain information from all investment firms that maintain branches in their territories (for statistical and supervisory purposes).

V. The European Commission's request for additional information in relation to the MiFID review

In March 2010, the European Commission requested the CESR to provide it with additional information about the MiFID review, on the basis of the CESR Members' supervisory experience. It is important to note that the published responses were almost entirely the result of fact-finding exercises amongst supervisors and not part of the broader consultation process, due to the nature of the information requested.

The questions concerned secondary markets, transaction and position reporting, as well as issues pertaining to investor protection and intermediaries. Responses to questions on the client categorisation regime will be provided at a later stage. Important points that were studied include, among others, the disclosure measures for Over-the-Counter (OTC) derivatives and other complex or tailor-made products, and the specific organizational requirements related to the provision of new services or products.

UCITS as complex/non-complex financial instruments

CESR believes that structured UCITS, and UCITS which employ complex portfolio management techniques, should considered to be complex financial instruments for the purposes of the MiFID appropriateness requirements. This is a concept that would need to be elaborated on — possibly through ESMA binding technical standards.

Inducements

The CESR presented the Commission with the conclusions of its report on good and poor practices concerning inducements: (i) CESR Members wonder whether inducements should not be forbidden when portfolio management services are being provided and (ii) in regard to the transparency of inducements, CESR Members think that ex-post disclosure (of the actual amount of the inducement where such disclosure cannot be made prior to the provision of the service) is good practice, since it enhances the quality of the information received by the client and, therefore strengthens investor protection.

Underwriting and "placing"

Underwriting and "placing", raise a number of issues pertaining to the application of the framework of EU securities legislation. After the Prospectus Directive, these issues had not been dealt with. The CESR has pointed out to the Commission that it will look again at these issues with the aim of providing Level 3 guidance. There might also be a case for including some specific provisions in MiFID on underwriting and "placing" in the same way that specific conflict of interest provisions are set out for investment research.

Appropriateness

The CESR provided comments on its Members' experiences from the application of the existing rules. CESR Members generally believed that the current requirements are comprehensive and sufficiently flexible to apply to different types of clients, instruments and advisory services and therefore do not need modifying. However, CESR Members also suggested a clarification to be made in the MiFID Implementing Directive that advice about hedging of risks is indeed investment advice.

In October 2010, the CESR published the second set of technical advice to the European Commission in the context of reviewing MiFID. This set covers issues pertaining to the standardization and trading of over-the-counter (OTC) derivatives, post-trade transparency standards and client categorization, as well as the CESR's remaining responses to the Commission's request for additional information presented in March 2010.

Following a first set of technical advice published on July 29 2010, this second set completed CESR's technical advice on MiFID. This advice provides a significant contribution to the European debate on delivering the objectives set out by the G20 in its meeting of September 25 2009, by adopting a series of measures aimed at enhancing efficiency and security in European derivatives markets. The advice provides securities' regulators with better tools for monitoring transactions and positions on those markets. The CESR's advice on post-trade transparency standards and client categorization will help Commission improve the functioning of the MiFID framework. It also includes policy proposals on standardization and the trading of OTC derivatives in organized platforms, post-trade transparency standards on equity markets and client categorization. The CESR also provided its responses to the questions made by the Commission) that were not included in the earlier set of responses, published in July 2010.

I. Technical advice on standardization and organized platform trading of over-the-counter (OTC) derivatives

The policy measures proposed in this advice aim, first, at increasing the level of standardization of OTC derivatives and, second, at encouraging the trading of eligible standardized derivatives on organised trading venues. The CESR does not yet have a definitive view on the exact levels that should be reached in regard to the standardization, and trading on organised trading venues, of derivatives that are currently traded OTC. However, the CESR believes that a sufficiently ambitious approach should be adopted, in order to increase both levels.

Increasing the level of standardized OTC derivatives

The CESR believes that market participants should develop a higher level of legal, operational and product standardization (including the increased use of electronic confirmation systems) as this is considered beneficial for proper operation and the reduction of systemic risk in the OTC derivatives market. To this end, since CESR does not recommend the mandatory use of electronic confirmation systems, it is proposed that ESMA should develop and set appropriate targets, deadlines and deliveries for legal, process and product standardisation per asset class, in consultation with the industry.

The CESR proposes that the any material elements identified should be set out in regulatory measures. Moreover, the advice suggests that European regulators, with the assistance of ESMA, need to be strongly involved in international fora where such issues are discussed, to ensure consistency of approaches and a level playing field. Should the targets not be met, ESMA (in collaboration with EEA national regulators) should take appropriate action to lead to the achievement of these targets by supervised entities and persons.

Fostering trading on organised platforms

The CESR believes that regulators should use target setting to encourage increased trading of standardised derivatives on organised trading venues.

The CESR's proposal is that ESMA should be mandated to design, implement and oversee a system of targets in order to encourage increased trading in derivatives on organised trading venues. To this end, ESMA should:

- *Determine the eligible derivatives to be covered by the targets according to specified eligibility criteria*
- *Define the proportion of business in eligible derivatives that should take place on organised trading venues over a specified period of time (expressed as a percentage of total business by relevant participants in eligible derivatives over that period of time); and*
- *publish the targets and general statements regarding the market's compliance or non-compliance with the targets.*

As in the case of standardisation, the CESR proposes that the core objectives pursued, and the role to be played, by ESMA should be set out in regulatory measures. Where the targets are not met, ESMA (in collaboration with the EEA's national regulators) should take action to ensure their achievement by the market.

In order for a trading venue to qualify as an organised trading venue, the CESR believes that it has to comply with the minimum characteristics of market transparency and operational efficiency. Moreover, it may be necessary to incorporate further functional characteristics into the definition of organised trading venues, based on a fuller assessment of their role in achiving the G20 objectives. Such *characteristics may include some or all of the features of Regulated Market (RMs) and MTFs, as set out in MiFID.*

As an initial conclusion, regulated markets and MTFs already meet the full range of required functional characteristics and therefore meet the objectives set out by the G20. The key objective of CESR's work will be to determine whether other trading platforms meet all, or part, of the criteria defined in the technical Advice, and may qualify as organized trading venues. The CESR also proposed that it should take into account developments in the US.

II. Technical advice on post-trade transparency standards on equity markets

One of the cornerstones of CESR's technical advice on reviewing the equity markets provisions of MiFID was improving the quality of post-trade transparency, with the aim of reducing the impact of market fragmentation. In that document, the CESR proposed a coordinated regulatory and industry effort for the development of a set of standards designed to improve the clarity, comparability and reliability of post-trade information. To this end, a joint working group was set up by the CESR and market participants to assist by making improved proposals aimed at minimizing the extent of duplicative trade publications.

Based on the discussions held at the working group, the main recommendations put forward in the advice on post-trade transparency standards include proposals regarding:

- *Reference data: The CESR recommends amending MiFID to make the use of ISO standards and other standards mandatory for the following transparency publication fields: day, time, instrument identification, price notation, unit price, quantity and venue identification.*

- *Transaction type standards and other trade flags: The CESR recommends defining trade flags for specific cases, such as benchmark trades, agency crosses, give-up/give-in trades, dark trades and negotiated trades. The use of a unique transaction identifier along with a unique code identifying the publication arrangement should also be required to help identify cancellations and amendments and facilitate the consolidation of data.*

- *Clarifications of post-trade transparency obligations to avoid duplicative publication: the CESR recommends clarifying in MiFID which investment firms should disclose a transaction not executed on a Regulated Market or MTF. It also suggests amendments to the reporting obligations for transactions made on behalf of a client and for chain transactions.*

III. The European Commission's request for additional information in relation to the MiFID review

The third document published by CESR provided the factual information requested by the European Commission and complemented the information included in CESR's technical advice on equity markets and on non-equity markets transparency, which was published in July 2010.

The CESR also provided its views on the organization of transaction and position reporting on OTC derivatives and the scope of the transaction reporting obligations on the basis of the public consultation that was launched in July 2010. In addition, the responses covered factual information and views on position reporting requirements and position limits in commodity markets.

Using trade repositories for transaction and position reporting of OTC derivatives

The CESR proposes a new position reporting regime through trade repositories, as provided for in the Commission proposal for a regulation on OTC derivatives, central counterparties and trade repositories, and recommends recognizing trade repositories in the MiFID review as reporting mechanisms through which investment firms will be able to fulfil their transaction reporting obligations.

Extending the scope of transaction reporting obligations

The CESR suggests the extension of the scope of transaction reporting obligations only to financial instruments admitted to trading on MTFs and to certain OTC derivatives. The main purpose of this advice is to align MiFID's transaction reporting obligations with the Commission's intention to extend the scope of the Market Abuse Directive to financial instruments admitted to trading and/or traded on an MTF, but not on a Regulated Market. By means of its proposal to include only certain OTC derivatives to the scope of transaction reporting obligations, the CESR aims at enhancing the supervisors' ability to detect suspect activities and maintain the integrity of their markets.

Further assessing the need for position limits

The CESR recommended that the European Commission should focus on analyzing whether exchanges/regulators have a sufficiently extensive set of powers to manage positions across the entire life of commodity derivatives contracts and on setting up a harmonized set of powers for them in European legislation. In CESR's view, it remains to be further assessed whether or not position limits are suited to achieving the objectives of reducing volatility or limiting the impact that large positions may have on market prices.

Extending the reporting obligations to commodity markets firms

The CESR noted that significant alternative reporting methods already exist, by means of which regulators can obtain information on the transactions and positions of commodity markets firms currently exempted under Articles 2(1)(i) and (k) of MiFID through methods such as reporting by market operators. Therefore, such arrangements can mitigate the potential gaps arising from the current exemption of certain firms from MiFID reporting requirements. Furthermore, in the future regulators may also receive relevant data on commodities markets positions of firms exempted from MiFID through trade repositories, depending on the application of the future EU regulation on OTC derivatives, central counterparties and trade repositories to non-financial firms and the determination of the related information thresholds.

The extension of general transaction and position reporting obligations to commodity markets firms exempted under MiFID would have the benefits of standardizing reports and affording regulators a "whole market" view. The extent of such benefits would depend on the significance of any remaining gaps. The CESR noted that such an extension would impose a cost on both firms and regulators.

IV. Technical advice on client categorisation

The CESR believes that current MiFID rules on the categories of clients, and the obligations attached to each category, are generally appropriate and do not need significant change. While supporting the European Commission's initiative to review MiFID, in order to adapt its current provisions to recent financial market developments, the CESR believes that MiFID's client categorisation regime is largely working well, and does not need radical review. Nevertheless, the CESR believes that there is scope for some clarification of relevant definitions and terms where there may be some ambiguity. It does not rule out future work on clarifying what some terms mean in the context of the professional client and eligible counterparty categories. The CESR also believes that it would be helpful to clarify which standards apply to transactions performed with eligible counterparties.

2. Standing Committee on Investment Management

In May 2010, the CESR published its guidelines on a common definition of European money market funds (CESR/10-049). The guidelines aim at improving investor protection by setting out criteria to be applied by any fund that is about to be marketed as a money market fund. The criteria reflect the fact *that investors in money market funds expect the capital value of their investment to be maintained, retaining at the same time the ability to withdraw their capital on a daily basis. A common definition will also help provide a more detailed understanding of the distinction between funds which operate in a very restricted fashion and those which follow a more 'enhanced' approach.*

CESR's guidelines create two categories of money market fund: Short-Term Money Market Funds and Money Market Funds. This approach recognises the distinction between short-term money market funds, which operate a very short weighted average maturity and weighted average life, and money market funds which operate with a longer weighted average maturity and weighted average life.

For both fund categories, the CESR expects that there should be specific disclosure to clearly explain the implications of investing in the type of money market fund involved. In the case of Money Market Funds, for example, this means taking account of the longer weighted average maturity and weighted average life of such funds. For both types of money market fund this should reflect any investment in new asset classes, financial instruments or investment strategies with unusual risk and reward profiles.

The guidelines would enter into force along with the transposition deadline for the revised UCITS Directive (July 1 2011). However, money market funds that existed prior to that date will be granted an additional six months to comply with the guidelines as a whole.

In July 2010, the CESR published its guidelines on risk measurement and the calculation of global exposure and counterparty risk for Undertakings for Collective Investments in Transferable Securities (UCITS) and a feedback statement. The main purpose of CESR's guidelines is to provide both regulators and companies that manage UCITS with detailed methodologies for calculating the global exposure and counterparty risk for UCITS, fostering, at the same time, a level-playing-field in the area of risk measurement among EU Member States. The CESR's guidelines are to accompany the Level 2 implementing measures of the UCITS Directive. This Directive would become applicable from July 2011.

The guidelines set out detailed methodologies that have to be followed by UCITS when using either the commitment or the more advanced Value-at-Risk (VaR) approach for calculating their global exposure (the VaR approach is designed for more complex investment strategies). For UCITS that use the VAR approach, CESR's guidelines provide additional safeguards which these UCITS should take into account when calculating global exposure to risks (stress testing and back testing obligations of the VaR model, validation of the model etc.).

In these guidelines, CESR also defined a set of high level principles relating to assets that may be used as collateral and cover rules for transactions in financial derivative instruments.

The CESR wishes to emphasise that the calculation of the global exposure represents only one element of the UCITS overall risk management process. UCITS are still responsible for selecting an appropriate methodology for calculating it.

In regard to the calculation of global exposure, CESR sets out detailed methodologies to be followed by UCITS when they use the commitment (see paragraph 2, page 7 of the guidelines) or the VaR approaches (see paragraph 3, page 22 of the guidelines). This means that the UCITS' risk management process should comprise the right procedures that enable the management company to assess the UCITS' exposure to all material risks, including market risks, liquidity risks, counterparty risks and operational risks. UCITS should assess their investment strategy and portfolio composition on an ongoing basis to verify intra-day calculations, whenever required. This may be necessary, for example, on a particular day due to increased volatility or might be required more frequently.

The CESR received 48 responses to the public consultation on the draft guidelines. Feedback on the consultation was positive with stakeholders largely supporting the draft guidelines proposed by the CESR. In the consultation paper, the CESR sought the stakeholders' views on the most appropriate approach for an optional 'sensitivity'-based regime in relation to interest rate strategies for the calculation of global exposure to risks. In particular, the CESR consulted on two possible methods. The final version of the guidelines reproduces the respondents' favourite option (Option 2). However, the CESR felt it appropriate to include this option into the standard regime of netting and hedging rules (Box 7 of the guidelines) under a new section titled "duration-netting rules".

In the consultation paper the Committee consulted on its initial views on specific guidelines for structured UCITS for the calculation of the global exposure. Based on the market participants' responses, the CESR will carry out further work to assess whether it might be appropriate for certain types of structured UCITS to use other methodologies for calculating their global exposure than those published today. This work will be finalised in time to enable stakeholders to prepare themselves for applying other methodologies to certain types of structured UCITS, when the UCITS IV Directive comes into force, if the outcome of the work is positive.

3. Joint Expert Group (CESR/ECB) on Clearing and Settlement

The Council of the European Central Bank (ECB) and the Committee of European Securities Regulators (CESR) have jointly approved a report titled "Standards for clearing and settlement of transactions of transferable securities in the European Union" prepared by their joint expert Group. After the publication of the report, the joint expert Group was mandated by the European System of Central Banks (ESCB) and the CESR to deal with three subsequent courses of action: These are the following: (a) the development of an evaluation methodology, (b) the analysis of pending issues, and (c) the main counterparty.

The recommendations were based on the recommendations on securities settlement systems issued in November 2001 and the recommendations on central counterparties issued in November 2004 by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (CPSS-IOSCO).

It is important to note that, as these recommendations no longer refer to the supervision of custodian banks, which nonetheless play a major role in clearing and settlement, further work had been undertaken by the CEBS in order to "ensure a level playing field". The CEBS had participated as an observer in the ESCB-CESR meetings, as the CESR and the ESCB participated as observers in the work carried out by CEBS for revising the relevant rules to be applied by custodian banks.

In June 2009, the CESR and the European System of Central Banks (ESCB) published recommendations for securities' settlement systems, and central counterparties systems in the European Union (along with a document concerning the consultations). The recommendations are addressed to supervisors and other regulators that will use them as a supervision tool and will try to achieve their systematic adjustment and a level playing field for securities settlement and central counterparties systems in the EU.

The published recommendations aim at enhancing the security and efficiency of securities clearing and settlement and central counterparties systems in the EU. They are based on, and are at least as strict as, the draft recommendations concerning securities' settlement issued in November 2001 and the recommendations on central counterparties issued in November 2004 by the Committee on Payment and Settlement Systems and the Technical Committee of IOSCO.

4. Post-Trading Standing Committee

CESR members formed a Post-Trading Standing Committee, which works on post-trading activities in the EU.

This Committee is responsible for elaborating CESR's technical advice to the European Commission, and technical standards and guidelines and recommendations relating to the Regulation on OTC Derivatives, Central Counterparties and Trade Repositories. It is also responsible for developing CESR's policy on the regulation of central securities depositories (CSDs) and on the regulatory and supervisory implications of the TARGET2-Securities project. In addition, this Committee supervises supervisory convergence among the national authorities in its area of competence.

5. Committee for Economic and Markets Analysis (CEMA)

An ad hoc group of economists (financial experts' network) has been meeting at regular intervals, mostly to discuss issues pertaining to statistical data that could be collected in order to prepare reports on financial trends in securities markets, to be dispatched to the Economic & Financial Committee to enable the CESR deal with its increasing commitments to submit reports on market trend forecasts. The aims were:

- *To enhance CESR's capability of undertaking economic analysis of market trends and key risks in the securities markets that are, or may become, of particular significance for its Members;*

- *To develop practical impact analysis methodologies regarding financial regulation and supervision.*

This experts' network evolved into CEMA: The Committee for Economic and Markets Analysis is a CESR Standing Committee responsible for covering two areas:

- *Financial markets monitoring and analysis: CEMA provides pro-active identification, monitoring, and assessment from a micro-prudential level of trends, potential risks and vulnerabilities in financial markets across borders and sectors, including a thorough focus on financial innovations, and incentives related to market practices both at the wholesale and retail level.*

- *Impact Assessment: The Group contributes to better regulation by actively supporting CESR's commitment to Impact Assessments of existing and planned/proposed regulation and supervisory practice (ex ante and ex post Impact Assessments).*

6. IT Management and Governance Group

The CESR's IT Management and Governance Group is responsible for handling IT-related issues. The group is supervising special projects that the CESR undertakes in collaboration with the national regulators. It comprises CESR representatives who have experience, knowledge and expertise in IT project management and financial market-related issues. The group's main objectives are to manage CESR's pan-European IT projects and to provide the CESR and the national authorities with IT systems and services that help national regulators to fulfill their obligations and prepare reports on IT issues of relevance to EU institutions. It also consults and advices the CESR on IT-related issues.

7. Takeover Bids Network

Since March 2007, representatives of CESR members, specialized on takeover bid issues, started discussing practical matters that have risen from the implementation of Directive 2004/25/EC on Takeover bids. Therefore, the CESR set up a network of competent authorities that deal with takeover bids, to discuss views, experiences and future developments.

The Takeover Bids Directive covers two separate areas: company law aspects and securities, or market-related, issues. Since the authorities that compose the network do not, in general, jurisdiction in corporate law issues, the object of the network is limited to securities or regulated market related issues, with the main aim of exchanging information and expertise.

8. Corporate Finance Standing Committee

In June 2007, the CESR published its "Report on the supervisory functioning of the Prospectus Directive and Regulation", which included some statistical data on the number of prospectus approved and passported for the periods July 2004 to June 2005 and July 2005 to June 2006 (per quarter).

Despite the limitations and caveats highlighted when the data was published, both the European Commission and market participants considered the information to be very useful and welcomed CESR's initiative. For this reason, CESR has decided to formalize this exercise and to keep on collecting this data on a regular basis (quarterly breakdown).

On 13 June 2008 the CESR published some tables compiled from data for the period July 2006 to June 2007, on 10 July 2008 the data for the period July 2007 to December 2007, on 14 October 2008 the data for the period January to June 2008, on 30 March 2009 a compilation of data for the period July 2006 to December 2008, and in on September 2009 the data for the period January 2009 to June 2009.

Following these publications, in March 2010 the CESR presented the tables that compiled the data for the period July 2009 to December 2009. Finally, in October 2010, the CESR published the tables compiling the data from January 2010 to June 2010.

These tables reflect the information as given by CESR members. It is important to note that national regulators use different databases that may lead to some divergence in the data given.

9. Standing Committee on Credit Ratings Agencies

EU Regulation 1060/09 on Credit Rating Agencies (CRAs) came into force on December 7, 2009. Owing to the creation of ESMA, this Regulation was revised in December 2010. The revised Regulation gives ESMA an exclusive responsibility for the registration and supervision of credit rating agencies in the European Union. According to the Regulation, ESMA must exercise important co-ordination and advisory functions alongside its traditional role of promoting convergence through Level 3 guidelines and recommendations. Moreover, the Regulation mandates ESMA to maintain a central repository where information about past CRA performance and credit ratings issued in the past is to be kept and made publicly available.

To this end, a standing committee was established for assisting ESMA in these new CRA-related tasks.

In order to fulfill its objectives, the Standing Committee will:

- *promote convergence in the Regulation's application by ESMA members, facilitate a harmonized approach by the competent national authorities and enhance legal certainty for market participants. The Standing Committee will prepare and publish common guidelines, as required by the Regulation.*

- *deal with the implementation of the EU Regulation on credit rating agencies.. The Standing Committee will undertake the necessary work to enable both ESMA and its members to carry out their functions as set out in the Regulation.*

- *coordinate with other international organizations and third country regulators that perform CRA-related activities. Among other organizations, the Standing Committee will coordinate with the*

European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and IOSCO. A consultative working group has been formed to assist the Standing Committee's work.

Market Participants Consultative Panel

The CESR consultation policy is a standing CESR commitment. According to its statute, the CESR can form consultation groups, and can issue reports on the consultations' results in due time. To this end, the CESR had also formed a high-ranking Market Participants Consultative Panel, comprising a limited number of members selected on a personal basis. The role of this Group was to: (i) Provide with the CESR comments on the manner in which it performs its role, and more specifically, the implementation of its Statement on Consultation Practices; (ii) assist the CESR in setting its priorities; and (iii) draw the CESR's attention to any institutional deficiencies of the single market and other major financial developments.

The Hellenic Capital Market Commission and IOSCO

The International Organization of Securities Commissions (IOSCO), which is based in Madrid, is the main forum of international cooperation among national capital market regulators and is recognized as the international agency responsible for the establishment of security market standards. For the time being, IOSCO has 193 members from more than 100 countries.

IOSCO issued a statement, redefining its task, objectives and priorities for the next 5 years, including: (a) the maintenance and improvement of international securities market regulations by establishing international standards; (b) the definition and tackling of systemic risks; and (c) the enhancement of IOSCO's role in the international economic community, in order to promote the implementation of its principles.

IOSCO and the Recent Crisis

Owing to the recent financial crisis and the consequent changes in the regulatory environment, in 2010 IOCSO published its revised Objectives and Principles of Securities Regulation, adopting 8 new principles designed to strengthen the international regulatory system against future crises.

The eight new principles cover specific policy areas such as hedge funds, credit rating agencies (CRAs) and auditor independence and oversight, as well as measures related to the monitoring, mitigation and management systemic risk, enabling the regular review the of regulations, and ensuring that conflicts of interest and misalignment of incentives are avoided, eliminated, disclosed or otherwise managed.

The new Principles aim at establishing high quality international standards and the lay the foundations for an appropriate, effective and transparent regulatory system for securities regulators. Obviously, their endorsement by securities regulators is crucial for creating and maintaining a sound and secure international regulatory system. The new Principles are also crucial in regard to their use by International Monetary Fund (IMF) and World Bank assessors as part of financial sector assessment programs.

The new systemic risk Principle recognizes the Regulators' need to be conscious of systemic risk and the role they are called to play in dealing with it. The financial crisis has shown that financial markets, which are regulated by IOSCO members, or may be exempt from regulation, can be the mechanism by which risk is transferred to the financial system. Under the new principle, Regulators should contribute to regulatory processes for monitoring, mitigating and appropriately managing such risks. Securities *regulators should have regard for investor protection, market integrity, transparency and the proper conduct of business within markets, as factors that mitigate systemic risk.*

The eight new Principles that were added to the current 30 are the following:

- *Principle 6: The Regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate.*

- *Principle 7: The Regulator should have or contribute to a process to review the perimeter of regulation regularly.*

- *Principle 8: The Regulator should seek to ensure that conflicts of interest and misalignment of incentives are avoided, eliminated, disclosed or otherwise managed.*

- *Principle 19: Auditors should be subject to adequate levels of oversight.*

- *Principle 20: Auditors should be independent of the issuing entity that they audit.*

- *Principle 22: Credit rating agencies should be subject to adequate levels of oversight. The regulatory system should ensure that credit rating agencies whose ratings are used for regulatory purposes are subject to registration and ongoing supervision.*

- *Principle 23: Other entities that offer investors analytical or evaluative services should be subject to oversight and regulation appropriate to the impact their activities have on the market or the degree to which the regulatory system relies on them.*

- *Principle 28: Regulation should ensure that hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight.*

The Multilateral Memorandum of Understanding

IOSCO's multilateral memorandum of understanding (MMOU) establishes a new criterion for assessing critical co-operation for dealing with capital market law violations. IOSCO members are committed to adopt adequate and effective information exchange measure, in order to combat the illegal use of securities and derivatives markets. Prior to signing IOSCO's multilateral memorandum of understanding, the candidates must be submitted to a strict assessment process, designed to demonstrate their ability to co-operate on the basis of the memorandum's terms. A monitoring group, comprising representatives of all signatories of the memorandum of understanding, has been formed in order to monitor compliance of the memorandum's signatories with the terms of the memorandum. The Hellenic Capital Market Commission is one of the first counterparties to the Memorandum, having signed the MMU on October 9th, 2002.

IOSCO's MOU, which was adopted in 2002, provides for improved enforcement-related cooperation and the exchange of information among regulators. IOSCO's Regional Committees, assisted by its General Secretariat, have worked alongside jurisdictions in their regions to encourage the necessary actions for joining IOSCO's MMOU.

Up to 2010, 72 countries have signed the MMOU and another 37 will be admitted to Appendix B after eliminating certain terms in their legislation.

Related to these developments is the IOSCO MoU Assistance Program which aims at helping members throughout the application process. The Program, which is coordinated by the General Secretariat of IOSCO, provides experienced professionals that will work together with members *seeking technical assistance, in order to help them comply with the necessary international regulatory standards.*

Many members have benefited from this assistance, which is still available for those remaining members that may be facing difficulties in preparing their MMOU applications.

New Members

IOSCO announced the admission of the following new associate members: Athens' Stock Exchange Members' Guarantee Fund (Greece), China Securities Investor Protection Fund Corporation Limited, (China), MCX Stock Exchange Limited (MCX-SX), (India), and World Federation of Exchanges (WFE).

Annual Conference

The world's securities and derivatives regulators and other members of the international financial community met in Montreal, Canada, from June 6 to 10, 2010. The Hellenic Capital Market Commission was represented by its Chairman, Mr. Anastasios Gabrielides. IOSCO will hold its next Annual Conference in Cape Town, South Africa, from April 17 to 21, 2011, while the 2012 Annual Conference will be held in Beijing, the People's Republic of China.

The European Regional Committee of IOSCO

The European Regional Committee of I.O.S.C.O. comprises 46 supervisory authorities, including the 27 supervisory authorities of European Union member-states. This Committee deals with the in-depth study of: the developments in the capital markets in its member states; the progress of the implementation of IOSCO's regulatory and supervisory standards by member-states; the activities of off-shore financial centers, and the harmonization of the regulatory standards in accordance with European Directives.

PART FIVE

APPENDICES.

APPENDIX 1. RULES AND REGULATIONS ISSUED BY THE CAPITAL MARKET COMMISSION

No. Of Rule	Title
6/572/23.12.2010 (Gazette B 2236/31.12.2010)	*Amendment of HCMC Rule 6/459/27.12.2007 (Gazette B 2456/31.12.2007) "Capital adequacy requirements of investment firms against operational risk"*
8/572/23.12.2010 (Gazette B 2236/31.12.2010)	*Amendment of HCMC Rule 8/459/27.12.2007 (Gazette B 2456/31.12.2007) "Internal assessment of the investment firms' capital adequacy and its prudential supervision and assessment by the Capital Market Commission"*
9/572/23.12.2010 (Gazette B 2236/31.12.2010)	*Amendment of HCMC Rule 9/459/27.12.2007 (Gazette B/2457/31.12.2007) "Disclosure by investment firms of prudential information regarding capital adequacy, the risks assumed and the management of those risks".*
4/572/23.12.2010 (Gazette B 2190/31.12.2010)	*Amendment of HCMC Rule 4/459/27.12.2007 (Gazette B 2453/31.12.2007) "Calculation of capital adequacy requirements of investment firms against market risk"*
1/572/23.12.2010 (Gazette B 2179/31.12.2010)	*Amendment of HCMC Rule 1/459/27.12.2007 (Gazette B 2455/31.12.2007) "Rules for the calculation of the capital adequacy requirements of investment firms"*
1/568/12.11.2010 (Gazette B 1996/24.12.2010)	*Amendment of HCMC rule 3/304/10.06.2004 (gazette 901 β/16.6.2004) on the "Regulation for the Operation of the Dematerialized Securities System".*
10/566/26.10.2010 (Gazette B 1812/18.11.2010)	*Amendment of HCMC Rule 8/259/19.12.02 (Gazette B 19/16.01.03) "Contents of the semi-annual/annual report and the investment table of real estate mutual funds and the semi-annual investment table of real estate investment companies".*
1/562/16.09.2010 (Gazette B 1547/17.9.2010)	*Amendment of the Regulation of the "Athens Exchange Clearing House SA" (ETEK) for the Clearing of Transactions in Book-Entry Securities.*
3/559/26.8.2010 (Gazette B 1358/1.9.2010)	*Amendment of HCMC Rule 1/509/15.5.2009 (Gazette B 1076/4.6.2009) "Short Sales of Shares listed in the Athens Exchange"*
3/556/8.7.2010 (Gazette B 1392/6.9.2010)	*Amendment of HCMC rule 3/304/10.06.2004 (gazette 901 β/16.6.2004) on the "Regulation for the Operation of the Dematerialized Securities System".*
1/554/24.6.2010 (Gazette B 1347/31.8.2010)	*Amendment of HCMC Rule 548/28.04.10 (Gazette B 633/12.05.10)*
5/556/8.7.2010 (Gazette B 1172/4.8.2010)	*Authorization of the ATHENS EXCHANGE CLEARING HOUSE as the System Administrator*
6/556/8.7.2010 (Gazette B 1172/4.8.2010)	*Authorization of Securities System operation to the "ATHENS EXCHANGE CLEARING HOUSE" and Regulation approval*
7/556/8.7.2010 (Gazette B 1172/4.8.2010)	*Authorization of Derivatives System operation to the "ATHENS EXCHANGE CLEARING HOUSE" and Derivatives clearing Regulation approval*
8/556/8.7.2010 (Gazette B 1172/4.8.2010)	*Amendment of the system administrator authorization granted to Hellenic Exchanges SA Holding Clearing Settlement and Registration (HELEX)*
2/551/2.6.2010 (Gazette B 946/30.6.2010)	*Amendment of HCMC rule 3/304/10.06.2004 (Gazette B 901/16.6.2004) on the "Regulation for the Operation of the Dematerialized Securities System".*
7/544/18.3.2010 (Gazette B 719/26.5.2010)	*Amendment of the Regulation for the Clearing and Settlement of Transactions in Book-Entry Securities.*
548/28.4.2010 (Gazette B 633/12.5.2010)	*Amendment of HCMC Rule 1/509/15.5.2009 "Short Sales of Shares Listed in the ATHEX".*
1/540/17.2.2010 (Gazette B 233/5.3.2010)	*Amendment of HCMC Rule 5/461/24.1.2008 (Gazette B 283/25.2.2008) "Criteria for the licensing of Financial Intermediation Firms".*
1/539/8.2.2010 (Gazette B 217/2.3.2010)	*Amendment of HCMC Rule 1/317/11.11.2004 (Gazette B 1746/26.11.2004) "Classification of mutual funds according to Law 3283/2004."*
16/538/27.1.2010 (Gazette B 140/12.2.2010)	*Approval of the training program for individuals involved in the distribution of mutual fund units.*

APPENDIX 2. Participation in International Conferences, Fora and Meetings in 2010

- *February 9, 2010, Paris, CESR Summit;*
- *February 10, 2010, Paris, CESR Post Ecofin Task Force meeting;*
- *February 10-11, 2010, Paris, Conference of the European Regional Committee of IOSCO;*
- *February 17-20, 2010, London, Meeting with officials from UK's Financial Services Authority;*
- *February 21-22, 2010, Brussels, Meeting of the joint CESR-ECB group on Clearing and Settlement, concerning central counterparties;*
- *March 3-4, 2010, Paris, CESRPol Meeting;*
- *March 4-5, 2010, Brussels, Meeting of the European Commission on CDS markets;*
- *March 22-23, 2010, London, Meeting of the Level 3 MiFID CESR Working Group on regulated markets;*
- *March 24-26, 2010, Helsinki, CESR-Tech and TREM-User Network Meeting;*
- *April 12-14, 2010, Madrid, CESR-Fin Meeting;*
- *April 13-15, 2010, Paris, CESRPol Meeting;*
- *May 5, 2010, Paris, Conference of the CESR Review Panel*
- *May 6-7, 2010, Barcelona, CESR Summit;*
- *May 10-11, 2010, Paris, Meeting of the CESR Working Group on Credit Rating Agencies;*
- *May 12-14, 2010, Wilton Park International Enforcement Conference;*
- *May 17-18, 2010, CESRPol Meeting;*
- *March 25, 2010, Paris, CESR Summit;*
- *June 2-4, 2010, Malta, CESR seminar on "TREM 3.0";*
- *June 3-12, 2010, Montreal, IOSCO Annual Conference;*
- *June 16, 2010, Paris, CESR Post Ecofin Task Force meeting;*
- *June 17, 2010, Paris, CESR Summit;*
- *June 17-18, 2010, London, Meeting of the Level 3 MiFID CESR Working Group on regulated markets;*
- *June 17-18, 2010, Paris, Meeting of the CESR Working Group on Credit Rating Agencies;*
- *June 18, 2010, Paris, Conference of the CESR Review Panel;*
- *June 19-22, 2010, Rome, Meeting of the OTC Derivatives Regulators Forum;*
- *June 22-24, 2010, Stockholm, Meeting of CESRFin sub-committee for the Enforcement of International Accounting Standards;*
- *June 23-25, 2010, Amsterdam, Meeting of the Plenary of OECD's Financial Action Task Force (FATF);*
- *June 28-30, 2010, Brussels, Meeting of an Expert Group of the European Commission on the preparation of a draft Directive on Central Securities Depositaries;*
- *June 30-July 1, 2010, Paris, CESR-Pol Meeting;*
- *July 2, 2010, Brussels, Public Hearing of the European Commission regarding the Directive on Market Abuse;*
- *July 4-5, 2010, London, Meeting of the Level 3 MiFID CESR Working Group on regulated markets;*
- *July 4-5, 2010, Rome, Meeting of the CESR Working Group on investment management;*
- *July 12-13, 2010, Frankfurt, Meeting of the CESR Working Group on Credit Rating Agencies;*
- *July 15, 2010, Paris, CESR Post Ecofin Task Force meeting;*
- *July 16, 2010, Paris, CESR Summit;*
- *July 19-20, 2010, Brussels, Meeting of an Expert Group of the European Commission on the preparation of a draft Directive on Central Securities Depositaries;*
- *September 2, 2007, Paris, Meeting of CESR-Pol subgroup on the Market Abuse Directive;*
- *September 2-3, 2010, Rome, Meeting of the CESR Working Group on investment management;*
- *September 3, 2010, Paris, Conference of the CESR Review Panel;*
- *September 8-10, 2010, London, 5th Greek Business Conference, Hellenic Exchanges;*
- *September 12-13, 2010, Brussels, Meeting of a European Commission Panel on corporate law issues;*
- *September 14, 2010, Paris, Conference of the CESR's Market Participants Consultative Panel;*
- *September 15, 2010, Paris, CESR Summit;*
- *September 28-29, 2010, Frankfurt, Bundesbank and BaFin seminar on: "Clearing and Settlement CESR/ESBC recommendations";*
- *September 29-October 1, 2010, Warsaw, CESR-Pol Meeting;*

- *October 4-6, 2010, Frankfurt, Meeting of the CESR Working Group on Credit Rating Agencies;*
- *October 5, 2010, Paris, CESR-Fin Meeting;*
- *October 5-6, 2010, Brussels, Meeting of the European Commission concerning the adoption of a New Regulation on short-selling;*
- *October 5-7, 2010, Bohn, CESR Seminar on: Implementation of the key investor information;*
- *October 6-7, 2010, Brussels, Meeting of the European Commission on issues related to the OTC derivatives, central counterparties and trade repositories Regulation;*
- *October 13-15, 2010, Budapest, Assessment of IT Systems & Applications in Financial Institutions, European Level 3 Committees;*
- *October 17-18, 2010, Brussels, Meeting of an Expert Group of the European Commission on the preparation of a draft Directive on Central Securities Depositaries;*
- *October 18-19, 2010, Amsterdam, CESR-Fin Meeting;*
- *October 19-20, 2010, Brussels, Meeting of the European Commission concerning the adoption of a New Regulation on short-selling;*
- *October 20-21, 2010, Brussels, CESR-Fin Meeting;*
- *October 21-22, 2010, Malta, CESR Seminar on: "inducements and conflicts of interest";*
- *October 25-26, 2010, Paris, Meeting of the Level 3 MiFID CESR Working Sub-Group on intermediaries;*
- *October 27-28, 2010, Paris, Meeting of the CESR Working Group on investment management;*
- *October 28-30, 2010, Conference on: "Financial Supervision: A new decade- A new beginning";*
- *November 3-4, 2010, Brussels, Meeting of the European Commission on issues related to the OTC derivatives, central counterparties and trade repositories Regulation;*
- *November 7-8, 2010, Paris, CESR Post Ecofin Task Force meeting;*
- *November 7-8, 2010, Brussels, Meeting of the Level 3 MiFID CESR Working Sub-Group on intermediaries;*
- *November 13-17, 2010, CESR Seminar on "Best Execution of client orders by investment companies";*
- *November 15-16, 2010, Paris, CESRPol Meeting;*
- *November 15-17, 2010, Frankfurt, European Supervisory Risk Board Workshop, European Central Bank;*
- *November 16-17, 2010, Paris, CESR Summit;*
- *November 16-18, 2010, Paris, Meeting of CESRFin sub-committee for the Enforcement of International Accounting Standards;*
- *November 17-19, 2010, Frankfurt, Meeting of the CESR Working Group on Credit Rating Agencies;*
- *November 19-20, 2010, Brussels, Meeting of the European Commission on issues related to the OTC derivatives, central counterparties and trade repositories Regulation;*
- *November 23-24, 2010, Brussels, Meeting of the European Commission concerning the adoption of a New Regulation on short-selling;*
- *November 24-25, 2010, London, Meeting of the Level 3 MiFID CESR Working Group on regulated markets;*
- *November 25-26, 2010, Paris, Meeting of the CESR Working Group on investment management;*
- *November 28-December 1, 2010, Maastricht, training Program of the European Institute of Public Administration on Financial Statements and Public Sector Audits;*
- *November 29-30, 2010, Brussels, Meeting of an Expert Group of the European Commission on the preparation of a draft Directive on Central Securities Depositaries;*
- *November 29-December 2, 2010, London, Conference on: Supporting Financial Stability, Financial Services Authority;*
- *December 7-8, 2010, Bucharest, Keynote Speech at a one-day conference of the Romanian Securities Commission on Market Abuse;*
- *December 9-10, 2010, Brussels, Meeting of the European Commission on issues related to the OTC derivatives, central counterparties and trade repositories Regulation;*
- *December 15-16, 2010, Brussels, CESR Seminar on: "Prospectus Directive Review: investors' protection versus market efficiency";*
- *December 16-17, 2010, Paris, CESR Summit.*

TABLE I. International Stock Market Indices, 2010

Stock Exchange			Sectoral Share-Price Index				Annual return*	
	Stock Exchange Indices		Market Capitalization	Value of Transactions[1]		Tradability index[2]		No. of listed companies
	Closing price.	Annualized Change (%)	Value (US$ billion)	Y-o-y % change	Value (US$ billion)	Annualized Change (%)	(%)	
London	5,899.94	9.0%	3,613.06	4.6%	2,741.32	0.9%	75.87%	2,966
Germany	6,914.19	16.1%	1,429.71	10.6%	1,628.49	7.4%	113.90%	765
NYSE Euronext[3]	N/A	N/A	2,930.07	2.1%	2,018.07	4.3%	68.87%	1,135
Paris	3,804.78	-3.3%	-	-	-	-	-	-
Switzerland	6,436.04	-1.7%	1,229.35	15.5%	788.36	6.6%	64.12%	296
Amsterdam	354.57	5.7%	-	-	-	-	-	-
Italy	20,173.29	-13.2%	-	-	-	-	-	332
Madrid[4]	1,003.73	-19.2%	1,171.62	-18.3%	1,360.90	8.1%	116.15%	3,345
Stockholm[5]	368.54	23.1%	1,042.15	27.5%	750.27	7.7%	71.99%	754
Brussels	2,578.60	2.7%	-	-	-	-	-	-
Athens	1,413.94	-35.6%	67.58	-40.0%	43.26	-33.8%	64.01%	280
Vienna	2,904.47	16.4%	126.03	10.5%	48.62	-5.3%	38.57%	110
NYSE-Euronext (US)	7,964.02	10.8%	13,394.08	13.2%	17,795.60	1.6%	132.86%	2,317
NASDAQ OMX	2,652.87	16.9%	3,889.36	20.1%	12,659.19	-7.0%	325.48%	2,778
Tokyo	10,228.92	-3.34%	3,827.08	15.8%	3,787.95	2.3%	98.97%	2,292
Hong-Kong	23,035.45	5.3%	2,711.31	17.6%	1,496.43	5.7%	55.19%	1,413

Source: World Federation of Exchanges
Note.
1 Because of differences in the presentation and estimation of transaction value, the figures are not totally comparable.
2 Value of trading in shares / market capitalization.
3 Includes data from Amsterdam, Brussels, Lisbon and Paris.
4 Includes data from the stock exchanges of Madrid, Barcelona, Bilbao, and Valencia.
5 Includes data from the stock exchanges of Stockholm, Copenhagen, Helsinki, Iceland, Tallinn, Riga, and Vilnius (NASDAQ OMX Nordic).

TABLE II. Market Share, Number and Total Assets of Mutual Funds, by Mutual Fund Management Firm, 2008-2010

MF ManagementFirm	**31.12.2010**				**31.12.2009**				**31.12.2008**			
	Number of M/F	Assets (€ mil.)	Market Share	Change in Share	Number of M/F	Assets (€ mil.)	Market Share	Change in Share	Number of M/F	Assets (€ mil.)	Market Share	Change in Share
ALICO AIG	21	287.35	3.58%	0.42	25	337.43	3.16%	0.5	25	276.77	2.66%	0.7
ALLIANZ	7	102.39	1.28%	0.02	7	134.61	1.26%	0.02	7	128.63	1.23%	0.29
ALPHA ASSET MAN	27	1,326.50	16.55%	0.29	27	1,738.09	16.27%	-1.73	36	1,874.04	17.98%	-5.11
ALPHA TRUST MFMF	12	150.56	1.88%	0.00	13	200.29	1.88%	0.17	14	178.11	1.71%	0.36
T FUNDS MFMC	4	41.37	0.52	0.02	4	53.65	0.50%	-0.06	4	58.14	0.56%	0.09
ATTICA WEALTH MAN	8	65.84	0.82	0.02	8	85.52	0.80%	0.02	8	80.96	0.78%	0.38
EFG MFMF	75	1,931.73	24.10	-0.98	70	2,676.72	25.06%	2.05	80	2,390.01	22.94%	-1.27
HSBC (HELLAS)	9	328.17	4.09%	-0.74	11	515.05	4.82%	1.44	11	351.83	3.38%	1.72
ING-MFMF	5	97.53	1.22%	0.00	5	130.61	1.22%	0.03	9	123.70	1.19%	0.17
INTERNATIONAL	6	30.99	0.39%	-0.03	6	45.05	0.42%	-0.06	7	50.03	0.48%	0.12
MARFIN GLOBAL AM	11	235.17	2.93%	-2.94	8	626.69	5.87%	3.27	13	270.68	2.60%	1.67
MILLENNIUM MFMF	9	83.43	1.04%	-0.04	9	115.36	1.08%	0.48	9	62.55	0.60%	0.04
PROBANK MFMF	4	244.63	3.05%	2.80	4	27.20	0.25%	-0.17	4	43.74	0.42%	0.28
PROTON MFMF	4	10.05	0.13%	-0.01	4	14.70	0.14%	-0.04	5	19.05	0.18%	0.02
SOCIAL SECURITY FUNDS	2	1,066.41	10.22%	0.23	2	1,066.42	9.98%	2.09	2	822.03	7.89%	3.91
ATE MFMF	11	198.51	2.48%	0.19	11	243.99	2.28%	0.04	11	233.10	2.24%	0.65
ATTIKI					-	-	-	-	-	-	-	-
DIETHNIKI					-	-	-	-	-	-	-	-
ETHNIKI ASSET MGT	44	1,384.67	17.27%	-0.50	45	1,902.43	17.81%	-8.73	61	2,776.56	26.65%	-4.49
AMUNDI MFMC	4	201.95	2.52%	-0.55	7	327.37	3.07%	-0.52	9	374.09	3.59%	-0.51
EVROPAIKI PISTI	10	44.55	0.56%	0.08	10	51.55	0.48%	0.14	10	35.06	0.34%	0.07
CYPRUS ASSET MGT MFMF	10	59.21	0.74%	-0.08	10	87.43	0.82%	0.16	8	69.03	0.66%	0.13
PIRAEUS ASSET M,	13	103.79	1.29%	-0.37	13	177.59	1.66%	0.07	13	165.57	1.59%	0.64
PSB GREEK POST MFMF	7	267.74	3.34%	2.19	7	122.73	1.15%	0.8	6	36.58	0.35%	0.14
TOTAL	303	8,015.63			306	10,680.47			352	10,420.26		

Source: Union of Greek Institutional Investors.
Note: On 06.10.09, Cyprus MFMF changed its name to Cyprus Asset Management MFMF. On 12.03.09, Profund MFMF changed its name to Probank MFMF.

TABLE III Net assets of Mutual Fund Management Firms per MF classification 31.12.2010

MFMF	Bond			Money market			Mixed			Equity			Funds of Funds			Total
	Domest	Foreign	Total	Domest	Foreign	Total	Domest	Foreign	Total	Domest	Foreign	Total	Equity	Mixed	Bond	Total
ALICO AIG	2.91%	39.97%	42.88%	7.50%	-	7.50%	0.84%	11.98%	12.82%	21.09%	6.88%	27.97%	8.26%	0.57%	-	8.83%
ALLIANZ	18.51%	-	18.51%	6.24%	-	6.24%	48.40%	-	48.40%	23.21%	3.64%	26.85%	-	-	-	-
ALPHA AM	7.52%	19.63%	27.15%	15.51%	-	15.51%	6.10%	4.79%	10.89%	24.81%	3.90%	28.71%	16.62%	1.11%	-	17.74%
ALPHA TRUST	8.05%	4.50%	12.55%	3.85%	-	3.85%	12.68%	-	12.68%	60.47%	6.32%	66.79%	4.13%	-	-	4.13%
T FUNDS MFMC	50.75%	-	50.75%	32.36%	-	32.36%	2.91%	-	2.91%	13.99%	-	13.99%	-	-	-	-
ATTICA W.M.	9.38%	30.19%	39.57%	2.71%	-	2.71%	6.21%	34.97%	41.18%	14.93%	1.61%	16.54%	-	-	-	-
EFG	8.57%	24.67%	33.24%	2.56%	2.49%	5.05%	1.64%	0.06%	1.70%	13.44%	8.57%	22.01%	9.97%	4.87%	-	14.84%
HSBC (HELLAS)	2.41%	1.00%	3.41%	55.67%	-	55.67%	7.16%	-	7.16%	15.36%	16.74%	32.11%	-	1.66%	-	1.66%
ING-	-	-	-	11.13%	-	11.13%	11.87%	-	11.87%	45.52%	31.48%	77.01%	-	-	-	-
INT'L	27.05%	-	27.05%	13.47%	-	13.47%	20.50%	5.79%	26.29%	33.19%	-	33.19%	-	-	-	-
MARFIN G.A.M.	-	23.90%	23.90%	22.10%	-	22.10%	1.20%	4.44%	5.63%	21.66%	4.83%	26.49%	21.87%	-	-	21.87%
MILLENNIUM	6.77%	-	6.77%	8.45%	-	8.45%	-	-	-	37.37%	19.11%	56.48%	-	28.31%	-	28.31%
PROBANK	3.34%	-	3.34%	93.86%	-	93.86%	0.32%	-	0.32%	2.48%	-	2.48%	-	-	-	-
PROTON	32.45%	-	32.45%	-	-	-	24.17%	-	24.17%	43.38%	-	43.38%	-	-	-	-
SOCIAL SEC. FUNDS	34.80%	-	34.80%	-	-	-	65.20%	-	65.20%	-	-	-	-	-	-	-
ATE	17.79%	5.81%	23.60%	4.21%	-	4.21%	13.52%	19.14%	32.66%	30.74%	6.29%	37.03%	2.50%	-	-	2.50%
NATIONAL AM	7.47%	43.83%	51.30%	-	3.55%	3.55%	8.12%	2.67%	10.79%	15.11%	10.06%	25.18%	1.23%	7.29%	0.58%	9.10%
AMUNDI MFMC	19.51%	-	19.51%	25.93%	-	25.93%	10.25%	-	10.25%	44.31%	-	44.31%	-	-	-	-
EVROPAIKI PISTI	10.34%	39.75%	50.09%	-	-	-	6.58%	-	6.58%	14.21%	29.11%	43.33%	-	-	-	-
CYPRUS AM	13.43%	15.87%	29.29%	6.18%	-	6.18%	17.55%	-	17.55%	38.03%	-	38.03%	2.11%	6.83%	-	8.94%
PIRAEUS ASSET	23.65%	3.81%	27.46%	17.38%	-	17.38%	12.05%	-	12.05%	28.46%	4.15%	32.61%	3.49%	5.18%	1.83%	10.50%
PSB GREEK POST	3.74%	1.16%	4.90%	88.18%	-	88.18%	5.79%	-	5.79%	0.43%	0.70%	1.13%	-	-	-	-
MARKET SHARES	10.92%	19.84%	30.77%	13.84%	1.21%	15.05%	12.12%	2.61%	14.74%	17.42%	6.68%	24.10%	6.50%	3.12%	0.12%	9.75%

Source: Union of Greek Institutional Investors.

Note: On 06.10.09, Cyprus MFMF changed its name to Cyprus Asset Management MFMF. On 12.03.09, Profund MFMF changed its name to Probank MFMF.

TABLE IV. Mutual Fund Returns, 2006-2010

M/F Classification	**Annual return**						**Annual return***			
	2010	**2009**	**2008**	**2007**	**2006**	**2005**	**2009**	**2008**	**2007**	**2006**
BOND										
Domestic	-17.44%	3.70%	-1.68%	1.58%	0.57%	0.89%	3.66%	-1.68%	1.58%	0.57%
Foreign	-0.42%	6.08%	-5.34%	-1.61%	-0.68%	4.05%	6.58%	-7.09%	-1.93%	-0.90%
MONEY MARKET										
Domestic	1.74%	2.44%	2.62%	2.87%	1.92%	1.12%	2.55%	2.62%	2.87%	1.92%
Foreign	5.57%	-0.37%	4.02%	1.06%	0.47%	4.55%	-0.37%	4.43%	1.06%	0.47%
EQUITY										
Domestic	-30.08%	21.31%	-55.56%	15.36%	26.40%	29.21%	21.64%	-57.81%	15.76%	26.55%
Foreign	8.95%	21.15%	-33.02%	3.44%	10.63%	20.02%	22.06%	-37.17%	4.03%	11.14%
MIXED										
Domestic	-22.13%	8.85%	-27.14%	7.48%	11.19%	14.03%	9.66%	-28.83%	7.72%	11.19%
Foreign	1.69%	22.56%	-24.99%	1.20%	4.59%	6.49%	24.61%	-25.35%	1.14%	4.25%
FUNDS OF FUNDS										
Equity	14.42%	35.08%	-44.82%	1.47%	10.21%	7.05%	39.68%	-45.96%	1.47%	10.97%
Mixed	4.10%	10.87%	-19.42%	-0.26%	5.40%	5.60%	11.59%	-20.30%	2.05%	6.11%
Bond	1.64%	3.80%	-3.75%	-0.07%	1.12%	-	3.80%	-3.75%	-0.07%	-

Source: Union of Greek Institutional Investors.
*Note. *: Excluding mutual funds that started operating during 2009*

TABLE V. Monthly distribution of mutual fund assets, 2009-10

Month / Year	Total Assets (mn €)	Bond		Equity		Mixed		Money market	
		Assets (mn €)	% monthly change	Assets (mn €)	% monthly change	Assets (mn €)	% monthly change	Assets (mn €)	% monthly change
Dec-10	8,015.63	2,466.23	-2,50%	1,932.05	0,89%	1,181,25	-1,50%	1,206.28	-6,71%
Nov-10	8,159.67	2,529.59	-3,72%	1,914.96	-6,23%	1,199.36	-5,39%	1,293.08	3,17%
Oct-10	8,424.82	2,627.58	-0,46%	2,042.35	4,66%	1,267.81	1,89%	1,253.23	8,81%
Sep-10	8,211.78	2,639.97	0,80%	1,951.34	-3,73%	1,244.23	-0,14%	1,151.69	-0,82%
Aug-10	8,273.52	2,618.92	-1,01%	2,027.03	-6,86%	1,245.98	-4,18%	1,161.24	3,02%
Jul-10	8,473.47	2,645.67	0,32%	2,176.34	12,51%	1,300.41	6,63%	1,127.16	6,98%
Jun-10	8,055.26	2,637.21	-6,34%	1,934.24	-5,26%	1,219.51	-6,84%	1,053,61	-7,59%
May-10	8,576.23	2,815.83	-2,13%	2,041.65	-11,64%	1,309.05	-5,41%	1,140.27	-2,50%
Apr-10	9,035.01	2,877.03	-7,01%	2,310.10	-7,84%	1,384.00	-8,52%	1,169.54	-12,28%
Mar-10	9,781.98	3093.91	0,42%	2,506.80	6,87%	1,513.01	3,89%	1,333.28	-13,38%
Feb-10	9,697.72	3080.88	-0,38%	2,345.60	-4,55%	1,456.28	-1,61%	1,539.29	-22,80%
Jan-10	10,283.00	3,092.61	-3,96%	2,457.64	9,67%	1,480.12	12,22%	1,994.24	36,97%
Dec-09	10,412.37	3,220.17	-1.44%	2,240.93	-1.59%	1,318.85	-2.18%	1,455.96	14.85%
Nov-09	9,594.77	3,267.29	-1.16%	2,277.25	-13.81%	1,348.26	-7.53%	1,267.70	-2.74%
Oct-09	11,476.66	3,305.59	0.65%	2,642.02	1.08%	1,458.12	0.61%	1,303.43	6.31%
Sep-09	11,394.21	3,284.25	0.94%	2,613.76	5.07%	1,449.35	2.19%	1,226.03	2.47%
Aug-09	11,092.65	3,253.60	2.84%	2,487.73	3.55%	1,418.26	2.84%	1,196.44	3.43%
Jul-09	10,827.93	3,163.73	3.45%	2,402.33	7.22%	1,379.16	17.55%	1,156.79	9.80%
Jun-09	10,055.05	3,058.32	0.48%	2,240.47	-2.13%	1,173.22	0.72%	1,053.57	51.73%
May-09	9,632.93	3,043.57	-0.18%	2,289.30	11.06%	1,164.82	5.29%	694.37	-22.04%
Apr-09	9,555.01	3,048.93	1.08%	2,061.33	16.60%	1,106.25	7.18%	890.71	9.58%
Mar-09	9,050.86	3,016.20	-2.95%	1,767.92	7.57%	1,032.16	4.51%	812.84	4.70%
Feb-09	9,405.82	3,107.79	-2.93%	1,643.56	-9.84%	987.60	-3.47%	776.34	-1.28%
Jan-09	10,001.28	3,201.69	-3.97%	1,823.01	1.59%	1,023.05	-0.66%	786.42	-0.45%

Source: Union of Greek Institutional Investors.

TABLE VI. Net Mutual Fund Assets and the General Index of the ATHEX, 2008-2010

Month / Year	**Total M/F Assets**		**Market Capitalisation of ATHEX companies (mn €)**	**ATHEX Gen. Index**	**Return**
	Amount (mn €)	**Change (%)**			
Dec-10	8,015.63	-1.76%	299,628.59	1,413.94	-0.40%
Nov-10	8,159.67	-3.14%	300,059.44	1,419.67	-8.26%
Oct-10	8,424.82	2.59%	305,158.86	1,547.43	5.19%
Sep-10	8,211.78	-0.74%	302,864.30	1,471.04	-5.42%
Aug-10	8,273.52	-2.35%	303,050.10	1,555.41	-7.53%
Jul-10	8,473.47	5.19%	309,682.32	1,681.98	8.46%
Jun-10	8,055.26	-6.07%	298,727.94	1,550.78	8.13%
May-10	8,576.23	-5.07%	313,637.87	1,434.22	-23.30%
Apr-10	9,035.01	-7.63%	335,126.31	1,869.99	-9.55%
Mar-10	9,781.98	0.86%	322,693.02	2,067.49	8.07%
Feb-10	9,697.72	-5.69%	317,340.46	1,913.16	-6.60%
Jan-10	10,283.00	-1.24%	273,947.48	2,048.32	-6.73%
Dec-09	10,412.37	8.52%	279.891,72	2,196.16	-2.97%
Nov-09	9,594.77	-16.40%	281.047,81	2,263.27	-15.74%
Oct-09	11,476.66	0.72%	296.045,31	2,686.21	0.93%
Sep-09	11,394.21	2.72%	295.167,73	2,661.42	7.91%
Aug-09	11,092.65	2.44%	288.834,73	2,466.41	4.40%
Jul-09	10,827.93	7.69%	285.055,46	2,362.35	6.89%
Jun-09	10,055.05	4.38%	285.723,34	2,209.99	-5.05%
May-09	9,632.93	0.82%	277.306,01	2,327.47	13.33%
Apr-09	9,555.01	5.57%	278.853,64	2,053.74	21.93%
Mar-09	9,050.86	-3.77%	265.671,64	1,684.37	9.67%
Feb-09	9,405.82	-5.95%	260.638,95	1,535.82	-13.69%
Jan-09	10,001.28	-4.02%	276.745,97	1,779.47	-0.39%
Dec 08	10,420.27	-3.76%	270,035.81	1,786.51	-6.64%
Nov 08	10,827.65	-7.14%	273,681.45	1,913.52	-7.12%
Oct 08	11,660.01	-31.85%	279,413.45	2,060.31	-27.87%
Sep 08	17,109.08	-7.97%	307,491.93	2,856.47	-13.25%
Aug 08	18,591.27	-0.87%	315,690.47	3,292.69	-3.00%
Jul 08	18,753.77	-3.51%	318,815.53	3,394.64	-1.31%
Jun 08	19,436.49	-6.04%	327,787.82	3,439.71	-17.64%
May 08	20,686.76	-2.21%	351,159.02	4,176.51	-0.89%
Apr 08	21,154.05	-0.78%	346,897.47	4,214.16	5.72%
Mar 08	21,320.84	-3.00%	358,628.36	3,985.97	-3.56%
Feb 08	21,980.60	-2.76%	359,615.61	4,133.03	-5.27%
Jan 08	22,603.53	-7.81%	362,509.74	4,362.79	-15.76%

Source: ATHEX, Union of Greek Institutional Investors.

TABLE VII. The performance of Portfolio Investment Companies, 31.12.2010

Company	Date of Listing in the ATHEX	Share Price (€)	Book Value of Share (€)	Premium / Discount (%)	Internal Rate of Return (euros)	Net Asset Value (NAV) (€)
ALPHA TRUST ANDROMEDA PIC	19.12.2001	1.17	1.79	-34.64%	-5.91%	49,158,929.7
EUROLINE INVESTMENT SA	11.12.2002	1.41	1.7	-17.06%	-7.79%	18,091,704.1
INTERINVEST SA	15.01.1992	1.1	1.31	-16.03%	-14.07%	14,591,061.1
AEOLIAN INVESTMENT FUNDS SA	09.08.1993	1.76	2.57	-31.52%	-7.13%	28,778,050.8
DIAS INVESTMENT CO	27.07.1992	0.6	1.08	-44.44%	0.99%	113,435,490.0
TOTAL						224,055,235.6

Source: Union of Greek Institutional Investors, HCMC.
Note: On 13.07.09, OMEGA PIC was dissolved.
On 29.04.09 ALTIUS SA was delisted from the ATHEX.

TABLE VII. Net mutual fund assets in EU member-states, 30.09.10

Member States	Total Assets (mn €)		UCITS members net assets (mn €)		Non-UCITS members net assets (mn €)	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009	30.9.2010	30.9.2009
Austria	146,660	137,342	85,679	81,802	60,981	55,540
Belgium	95,475	92,670	89,375	87,105	6,100	5,565
Bulgaria	200	172	197	170	3	2
Czech Republic	4,878	4,506	4,820	4,454	58	52
Denmark	124,009	103,895	64,699	55,161	59,310	48,734
Finland	59,440	51,729	51,276	43,734	8,164	7,995
France	1,406,409	1,430,238	1,223,059	1,264,105	183,350	166,133
Germany	1,106,153	995,217	236,937	213,645	869,216	781,572
Greece	8,299	10,923	7,222	9,869	1,077	1,054
Hungary	13,448	10,304	9,680	7,821	3,768	2,483
Ireland	885,710	702,552	708,472	569,697	177,238	132,855
Italy	239,973	249,850	182,173	194,200	57,800	55,650
Lichtenstein	28,786	23,066	24,964	21,054	3,822	2,012
Luxembourg	2,083,740	1,773,834	1,786,332	1,529,019	297,408	244,815
Netherlands	80,800	76,500	67,700	64,100	13,100	12,400
Norway	54,258	43,865	54,258	43,865	0	0
Poland	27,170	20,552	18,766	14,907	8,404	5,645
Portugal	26,955	27,448	9,354	11,058	17,601	16,390
Romania	2,864	2,248	1,219	593	1,645	1,655
Slovakia	3,669	3,263	3,484	3,084	185	179
Slovenia	2,179	2,186	1,927	1,793	252	393
Spain	177,310	195,686	169,953	188,247	7,357	7,439
Sweden	150,443	113,417	147,047	111,196	3,396	2,221
Switzerland	240,451	156,457	189,226	117,994	51,225	38,463
Turkey	17,567	16,029	14,510	13,685	3,057	2,344
Un. Kingdom	741,192	596,163	624,983	504,936	116,209	91,227

Source: E.F.A.M.A.

TABLE IX. Structure of mutual fund assets in EU member-states, 2009-10

Type of M/F	30.9.2010		30.6.2010		31.12.2009	
	Total assets (billion Euros)	% of Total (%)	Total assets (billion Euros)	% of Total (%)	Total assets (billion Euros)	% of Total (%)
Equity	1,715	34%	1,636	34%	1,573	34%
Mixed	857	17%	824	17%	762	16%
Funds of funds[1]	74	1%	67	1%	63	1%
Bond funds	1,253	25%	1,206	25%	1,064	23%
Money Market	870	17%	898	18%	977	21%
Other	233	5%	225	5%	196	4%
Total [2]	5,001	100%	4,856	100%	4,635	100%
per Ireland and the Netherlands	5,777					

Source: E.F.A.M.A.

Note: 1. Excluding Funds of Funds in France, Luxembourg, Italy and Germany, which are included in other MF categories.
2. Excluding Ireland for which there is no detailed information.

TABLE X. Mergers and Acquisitions, 2010

Rank	Company	Trading category	Date Of announcement to the HCMC	Date Initial Trading Day for new shares	Share capital increase in €	Share Price (€)	Number of shares	Advisor
1	*XYLEMPORIA ATENE – INTERWOOD SA*	*Medium and Small Capitalization*	*17/2/2010*	*2/3/2010*	*11,035,167,44€*	*0.44€*	*25,079,926*	*PIREAUS BANK*
2	*IMPERIO ARGO - BALAUF - AGETEK*	*Low Dispersion and Spec. features*	*22/7/2010 and 7/10/10*	*14/10/2010*	*4,504,181,85€*	*0.4577€*	*9,840,091*	

Notes:

1. The share capital increase was carried out through the merger by absorption of "INTERWOOD SA" by "XYLEMPORIA SA" (25,079,926 new common registered shares).

The share capital of the Acquirer increased by a total of €11,035,167.44, which corresponds to the capital contributed by the Target Company, after deducting the nominal value of the Acquirer's cancelled common shares owned by the Target Company. More specifically, the Acquirer's share capital:

a. increased by €12,201,200, which corresponds to the share capital contributed by the Target Company; and

b. decreased, in accordance with article 16 par. 3 and 75 par. 4 of CL 2190/1920, as a result of the write-off of a claim to receive share of €1,166,032.56, which corresponds to the nominal value of the cancelled shares of the Acquirer that were held by the Target Company.

The shareholders of the Target Company exchanged an existing common share of the Target Company for 2.1945826640 new common shares of the Acquirer.

The holders of common shares of the Acquirer (excluding the Target Company) exchanges one existing common share of the Acquirer for 1.1479082510 new common shares of the Acquirer and the holders of preferred shares of the Acquirer continued to own the same number of preferred shares as prior to the merger.

2. The share capital of IMPERIO increased by a total of €4,504,181.85, and more specifically: (a) by €4,406,772.30 which corresponds to the share capital contributed by the Target Companies, and (b) by €97,409.55 through the capitalization of the Acquirer's reserves for reasons of rounding.

Based on the share exchange ratio approved by the General Meetings of the Shareholders of the merged companies, the exchange ratios was set as follows:

(a) The Company's shareholders kept the same number of shares they owned prior to the merger, whose nominal value is increased by €0.05, i.e. amounts to €0.35 per share.

(b) The shareholders of Ballauf (1st Target Company) exchanges one (1) existing share for 37 new shares of the Acquirer, i.e. received (134,443 X 37 = 4,974,391) new shares of the Acquirer.

(b) The shareholders of AGETEK (2nd Target Company) exchanges one (1) existing share for 49 new shares of the Acquirer, i.e. received (99,300 X 49 = 4,865,700) new shares of the Acquirer.

TABLE XI. Share Capital Increases in the ATHEX, 2010

Rank	Company	Trading category	Date of approval by HCMC	Right Coupon Cut-off Date	SCI Period	Initial Trading Day for new shares	Capital Raised (€)	Initial Share Price (€)	Number of shares	Beneficiaries	Advisor
1	HOL-Hellas Online[1]	Under Supervision	14/1/2010	-	-	2/2/2010	42,502,690.4	0.64	28,775,838	Acquisition of a business sector from Vodafone	Alpha Bank
2	Vell Group [2]	Medium & Small Cap	14/1/2010	2/2/10	17/2/10 - 3/3/09	-	7,217,683.2	1.193.40	6,048	2000 rights for 1 bond	Bank of Cyprus
3	MIG Holding[3]	Big Capitalization	8/2/2010	11/2/2010	18/2/2010-4/3/2010	26/3/2010	251,712,566.1	4.77	52,769,930	Option to acquire one bond for every 9 pre-emptive rights	-
4	EMPORIKI BANK[4]	Low Dispersion and Spec. Features	17/2/2010	26/2/2010	4/3/2010 - 18/3/2010	26/2/20010	989,421,312.5	4.39	225,380,709	11N – 14E	Credit Agricole Investment Bank
5	AUDIOVISUAL[5]	Medium & Small Cap	25/2/2010	1/3/2010	5/3/2010 - 19/3/2010	30/3/2010	20,010,511.5	0.71	28,183,819	2N -1E	Eurobank Telesis Finance
6	ZENON SA [6]	Probation	25/2/2010	-	-	9/3/2010	50,455,863.5	0.51	98,933,062	Contribution in kind	-
7	ASPIS BANK [7]	Medium & Small Cap	8/3/2010	10/3/2010	16/3/2010 - 30/3/2010	22/4/2010	48,374,403.6	0.60	80,624,006	2N -1E	Bank of Cyprus
8	ALTEC SA (8)	Under Supervision	24/3/2010	-	-	30/3/2010	39,063,773.7	0.34	114,893,452	Abolition of pre-emptive right for existing shareholders	-
9	KLOUKINAS-LAPPAS[9]	Medium & Small Cap	2/9/2010	8/9/2010	14/9/10 - 28/9/10	11/10/2010	9,900,115.2	0.64	15,468,930	5N-8E	-
10	NATIONAL BANK [10]	Big Capitalization	18/9/2010 18/9/2010	21/9/2010 21/9/2010	27/9/10 - 11/10/10 27/9/10 - 11/10/10	19/10/2010 25/10/2010	631,323,238.0 1,183,731,068.0	5.20 5.20	121,408,315 227,640,590	1N-5E 3N-8E	-
11	SCIENS INTERNATIONAL[11]	Medium & Small Cap	7/10/2010	-	-	14/10/2010	109,812,368.5	1.08	101,678,119	Contribution in kind	-

12	*PLIAS SA (12)*	*Under Supervision*	*7/10/2010*	*12/10/2010*	*18/10/2010 – 1/11/2010*	*25/11/2010*	*11,949,684.4*	*0.31*	*38,547,369*	*3.2N – 1E*	*-*
13	*SHELMAN SA (13)*	*Medium & Small Cap*	*26/10/2010*	*1/11/2010*	*5/11/2010 – 19/11/2010*	*26/11/2010*	*10,013,524.0*	*0.40*	*25,033,810*	*1N-1E*	*Alpha Bank*
14	*GENERAL BANK (14)*	*Big Capitalization*	*26/10/2010*	*1/11/2010*	*5/11/2010 – 15/11/2010*	*3/12/2010*	*339,733,717.6*	*3.19*	*106,499,598*	*3N-1E*	*Bank of Cyprus/ Societe Generale*
15	*MOTODYNA MIKI SA (15)*	*Medium & Small Cap*	*29/11/2010*	*3/12/2010*	*9/12/2010 – 23/12/2010*	*10/1/2011*	*3,900,000.0*	*0.60*	*6,500,000*	*13N – 10E*	*Alpha Bank*
16	*NEL LINES(16)*	*Under Supervision*	*30/11/2010*	*9/12/2010*	*17/12/2010 – 23/12/2010*	*4/1/2011*	*97,926,180.0*	*0.30*	*326,420,600*	*23N – 1E*	*-*
17	*CENTRIC(17)*	*Medium and Small Capitalization*	*23/12/2010*	*-*	*-*	*29/12/2010*	*12,052,103.6 €*	*0.66 €*	*18,260,763*	*Contribution in kind*	*-*
18	*VELL(18)*	*Low dispersion and Specific Features*	*-*	*-*	*-*	*22/10/2010*	*187,000.0 €*	*0.34 €*	*550,000*	*Capitalization of liabilities*	
19	*ELVIEMEK(19)*	*Under Supervision*	*-*	*-*	*10/9/10-24/9/10*	*26/10/2010*	*1,346,015.6 €*	*3.7 €*	*363,788*	*6N-100E*	
20	*DIONIC(20)*	*Medium and Small Capitalization Cat.*	*-*	*-*	*-*	*-*	*1,500,000.0 €*	*150€*	*10,000*	*Elimination of Pre-emptive Rights*	
21	*DIAS(21)*	*Medium and Small Capitalization Cat.*	*-*	*-*	*-*	*-*	*15,000,000.0 €*	*10 €*	*1,500,000*	*Elimination of Pre-emptive Rights*	
	TOTAL						*3,877,133,819.4*				

Source: HCMC

Notes:

1. The share capital increase was carried out through the contribution & absorption of the DSL Business Sector of Vodafone-Panafon Hellenic Telecommunications Company by €41,063,204.79 and by €1,439,485.61 through the capitalization of part of the reserves.

2. The issuance of a Convertible Bond, non-tradable in the ATHEX, with pre-emptive rights in favour of existing shareholders was 36.129% subscribed (6,048 bonds). The total funds raised amount to €7,217,683.2

3. The Convertible Bond issue was 62.48% subscribed (52,769,930 new bonds). The funds raised amount to €251,712,566.1.

4. The share capital increase was subscribed by 92.95% (225,380,709 common registered shares) through payment in cash with pre-emptive rights in favour of existing shareholders. Afterward, the unsold 15,898,296 shares were sold, according to the Board's judgment, to the Bank's principal shareholder, Credit Agricole S.A., raising the total subscription rate to 100%. The total funds raised amount to €989,421,312.51.

5. The share capital increase was subscribed by 71.39% (24,662,692 common registered shares) through payment in cash with pre-emptive rights in favour of existing shareholders, while 9,884,598 shares remained unsold. Of the latter, 3,521,127 were eventually sold, raising the total subscription rate to 81.58% (28,183,819 new common registered shares) and the total funds raised amounted to €20,010,511.49.

6\. The company's share capital increase was carried out through the elimination of the right in favour of existing shareholders and the contribution in kind of the shares of Ltd,Poerol,Eurogoal Cyprus,Eurogoal Betting, Eurogoal Racing, Shigibet,Kastor Leisure,Kastor Betting & Primebet, and was 100% subscribed. (98,933,062 new registered shares). The total funds contributed amount to €50,455,863.5.
7\. The share capital increase was subscribed by 62.92% (80,624,006 new shares) through payment in cash with pre-emptive rights in favour of existing shareholders. The total funds raised amount to €48,374,403.6.
8\. The share capital increase was partly subscribed by 97.66% (114,893,452 new common shares) through payment in cash with elimination of the pre-emptive rights of existing shareholders in favour of creditor banks and other creditors. The total funds raised amount to €39,063,773.68.
9\. The share capital increase was subscribed by 95.56% (14,782,203 new shares) through payment in cash with pre-emptive rights in favour of existing shareholders. Afterward, the 686,727 unsold shares, were proportionately distributed to investors who exercised their oversubscription rights, raising the final subscription ratio to 100%. The total funds raised amount to €9,900,115.20.
10\. The share capital increase was subscribed by 98.3% (119,302,142 new shares) through payment in cash with pre-emptive rights in favour of existing shareholders. Afterward, the 2,104,379 unsold shares, were sold to the Greek State raising the final subscription ratio to 100%. The total funds raised amounted to €631,323,238. The issuance of a Convertible Bond, with pre-emptive rights in favour of existing shareholders was 97.8% subscribed (222,655,317 bonds). Afterward, the 4,983,605 unsold shares were sold to the Greek State raising the final subscription rate to 100%. The total funds raised amount to €1,183,731,068.
11\. The company's share capital increase was carried out by eliminating the right in favour of existing shareholders and the contribution in kind of the shares of SCIENS DE HOLDINGS LLC, Plainfield Finance Corporation, Plainfield SP Secs Holdco, I SECS, Hotel Loutraki Casino, Piraeus Developer Real Estate Tourist, Piraeus Property Tourism & Hotel SA. The total funds raised amount to €109,812,368.52.
12\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was initially subscribed by 33.57% through the payment of €4,079,946.89 which corresponds to 13,161,119 new common registered shares, while 26,038.881 shares remained unsold. Of the initially unsold shares, 25,386,250 were sold to investors who exercised their subscription rights, raising the total subscription rate to 98.34% (38,547,369 new common registered shares). The total funds raised amount to € 11,949,684.39.
13\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was initially subscribed by 71.14% through the payment of €10,013,024.00 which corresponds to 25,032,560 new common registered shares, while 10,154,930 shares remained unsold. Of the initially unsold shares, 1,250 were sold to investors who exercised their subscription rights, raising the total subscription rate to 71.144% (25,033,810 new common registered shares) and the total amount of the share capital increase reached €10,013,524.00.
14\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was initially subscribed by 54.03% through the payment of €€183,561,337.41 which corresponds to 57,542,739 new common registered shares, while 48,956,859 shares remained unsold. The unsold shares, were sold to the principal shareholder who exercised the subscription right, raising the total subscription rate to 100.00% (106,499,598 new common registered shares) and the total amount of the share capital increase reached €€339,733,717.62.
15\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was initially subscribed by 65.29% through the payment of €2,546,350.20 which corresponds to 4,243,917 new common registered shares, while 2,256,083 shares remained unsold. The unsold shares, were sold to the investors who exercised their subscription rights, raising the total subscription rate to 100.00% (6,500,000 new common registered shares) and the total amount of the share capital increase reached €3,900,000.00.
16\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was initially subscribed by 5.89% through the payment of €5,763,673.50 which corresponds to 19,212,245 new common registered shares, while 307,208,355 shares remained unsold. The unsold shares, were sold to the investors who exercised their subscription rights, raising the total subscription rate to 100.00% (326,420,600 new common registered shares) and the total amount of the share capital increase reached €97,926,180.00.
17\. The company's share capital increase was carried out by eliminating the right in favour of existing shareholders and the contribution in kind of 14% of the shares of CD MEDIA and 41.81% of the shares of USMAR Management. The total capital contributed amounts to € 12,052,103.58.
18\. The share capital increase was subscribed by 62.33%. The value of capitalized liabilities amounts to €187,000.
19\. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was subscribed by 74.96% through the payment of €1,118,628.40 which corresponds to 302,332 new common registered shares, with a nominal value of €1.47 and an initial share price of €3.70 while 100,994 shares

remained initially unsold. By virtue of a decision of the Company's Board, reached on 24.09.10, 61,456 unsold shares were sold to the shareholders of REMCO HOLDINGS SA and TRITON SA, raising the total subscription rate to 90.2% and the total amount of funds raised to €1,346,015.60.
20. The issuance of the Convertible Bond, non-tradable in the ATHEX, with elimination of the pre-emptive right, was 100% subscribed by 15 new investors. The total funds raised amount to €1,500,000.
21. The issuance of the Convertible Bond, non-tradable in the ATHEX, with elimination of the pre-emptive right, was 100% subscribed by a strategic investor. The total funds raised amount to €15,000,000.

TABLE XII. Public offers of securities without listing in the ATHEX, 2010

no	Company	Date Of approval by HCMC	SCI Period	Funds Raised (€)	Number of shares	Share Price (€)	Beneficiaries	Inv. Firm Advisor / Underwriter
1	PAOK FC	27/1/10	28/1/10-12/2/10	617,970.00	2,059,900	0.30	Abolition of pre-emptive right for existing shareholders	BETA Securities SA
2	OLYMPIAKOS FC	24/6/10	28/6/2010-16/07/2010	26,091,000.00	13,000,000	2.007	13N-32E	PROTON BANK
3	PANATHINAIKOS FC	2/9/10	10/9/10-1/10/10	9,060,454.80	1,864,291	4.86	1N-7E	PIRAEUS BANK
4	Rea HOSPITAL SA	7/10/10	11/10/10-25/10/10	3,432,768.00	572,128	6.00	1N-14E	EMPORIKI BANK SA
	Total			39,202,192.80				

Notes:

1. The share capital increase through payment in cash with elimination of pre-emptive rights in favour of existing shareholders was subscribed by 4.026% through the payment of a total of €617,970.00.

2. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was 100% subscribed through the payment of €26,091,000.00 which corresponds to 11,700,000 new shares, while 1,300,000 shares (10%) were given gratis to the founding sports club, in accordance with sports Law 2725/1999. Of the total amount raised, €26,000,000.00 concerned the share capital increase, while the remaining €91,000.00 paid due to rounding on the initial price of each share was credited to the shareholders accounts with the label "against share capital increase" and will be capitalized at the next share capital increase.

3. The share capital increase through payment in cash with pre-emptive rights in favour of existing shareholders was 59.49% subscribed through the payment of €9,060,454.80 which corresponds to 1,677,862 new shares, while 186,429 shares (10%) were given gratis to the founding sports club, in accordance with sports Law 2725/1999.

4. The share capital increase through the payment cash with pre-emptive rights in favour of existing shareholders was 77.13% subscribed through the payment of a total amount of €2,647,578, which corresponds to 441,263 registered shares, while 130,865 shares were left unsold and were distributed by the Company's Board to new and existing shareholders. Thus, the share capital increase was fully subscribed through the payment of €3,432,768.00 and the issuance of 572,128 new shares.

TABLE XIII. Acquisitions by listed companies per sector, 2010

Listed Acquirer Companies		***Target Companies***			
No	**Sector**	**Total**	**Listed**	**Sector**	**Non-listed**
2	*Financial Services*	*2*	-	-	*2*
2	*Chemicals*	*2*	-	-	*2*
2	*Oil & Gas*	*2*	-	-	*2*
1	*Basic Resources*	*1*	-	-	*1*
2	*Construction & Materials*	*2*	-	-	*2*
3	*Industrial Goods & Services*	*3*	-	-	*3*
1	*Technology*	*1*	-	-	*1*
1	*Media*	*1*	-	-	*1*
1	*Retail*	*1*	-	-	*1*
1	*Travel & Leisure*	*1*	-	-	*1*
4	*Food & Beverages*	*4*	-	-	*4*
3	*Personal & Household Goods*	*3*	-	-	*3*
2	*Health Care*	*2*	-	-	*2*
1	*Real Estate*	*1*	-	-	*1*
26	*TOTAL*	*26*	*0*		*26*

Source: HCMC

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