No.F09222/806

HELLENIC REPUBLIC

HELLENIC CAPITAL MARKET COMMISSION

LEGAL ENTITY IN PUBLIC LAW

DECISION

2/452/1 Nov 2007

of the Board of Directors

Re: Organisational requirements for the operation of investment firms

THE BOARD OF DIRECTORS OF

THE HELLENIC CAPITAL MARKET COMMISSION

Having regard to:

1. Article 12, paragraph 12, of Law 3606/2007 about markets for financial instruments and other provisions (Government Gazette-GG A/195/2007);
2. Article 13, paragraph 3, of Law 3606/2007 about markets for financial instruments and other provisions (Government Gazette-GG A/195/2007);
3. Article 18, paragraph 3, of Law 3606/2007 about markets for financial instruments and other provisions (Government Gazette-GG A/195/2007);
4. Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (L 145/1/30 April 2004);
5. Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (L241/26/2006);
6. Article 90 of presidential decree 63/2005 on the codification of legislation on Government and governmental bodies (GG A/98/2005).

HAS UNANIMOUSLY DECIDED

CHAPTER 1
SUBJECT-MATTER, SCOPE AND DEFINITIONS

Article 1
Subject-matter and scope

1. The purpose of this decision is to transpose articles 2, 5 to 25, 51 and 52 of Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

2. This decision shall also apply to mutual fund management companies authorised pursuant to article 4, paragraph 2, of Law 3238/2004.

Article 2
Definitions

For the purposes of this decision, the following definitions shall apply:

1. "Relevant person" in relation to an investment firm, means any of the following:

(a) a director, partner or equivalent, manager or tied agent of the firm;

(b) a director, partner or equivalent, or manager of any tied agent of the firm;

(c) an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under the control of the firm or a tied agent of the firm and who is involved in the provision by the firm of investment services and activities;

(d) a natural person who is directly involved in the provision of services to the investment firm or to its tied agent under an outsourcing arrangement for the purpose of the provision by the firm of investment services and activities.

2. "Senior management" means the person or persons who effectively direct the business of the investment firm as referred to in article 17, para.4,

of Law 3606/2007.

3. "Person with whom a relevant person has a family relationship" means any of the following:

(a) the spouse of the relevant person or any partner of that person considered by national law as equivalent to a spouse;

(b) a dependent child or stepchild of the relevant person;

(c) any other relative of the relevant person who has shared the same household as that person for at least one year on the date of the personal transaction concerned.

4. "Financial analyst" means a relevant person who produces the substance of investment research.

5. "Group", in relation to an investment firm, means the group of which that firm forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of article 106 of Codified Law 2190/1920 on consolidated accounts.

6. "Outsourcing" means an arrangement of any form between an investment firm and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the investment firm itself.

7. "Client" means the investment firms' clients and potential clients.

8. "Securities financing transaction" means an instance of stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction, pursuant to article 2, paragraph 10, of Commission Regulation (EC) No 1287/2006.

9. "Investment advice" means a personal recommendation to a person in his capacity of client or potential client or an agent of a client or potential client, which:

(a) shall be suitable for such person or shall take into account the

circumstances of such person, and

(b) shall constitute a recommendation for:

(i) purchase, sale, subscription, exchange, reverse repurchase, holding or underwriting specific financial instruments;

(ii) exercise or non-exercise of a right to specific financial instruments for purchase, sale, subscription, exchange, reverse repurchase, holding or underwriting thereof.

A recommendation shall not be personal when it is provided exclusively through distributions channels or is addressed to the public.

10. "Distribution channel" shall mean a channel through which information is, or is likely to become, publicly available and accessed by a large number of persons, including but not limited to mass media, the internet and mass mailings (on paper and electronically).

11. "Durable medium" means any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.

12. "Execution venue" shall mean a regulated market, a Multilateral Trading Facility (MTF), a systematic internaliser or a market maker or other liquidity provider or an entity that performs a function in a third country similar to the functions performed by any of the foregoing.

CHAPTER 2

ORGANISATION

Article 3

General organisational requirements

1. Investment firms shall, taking into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business, comply with the following requirements:

(a) to establish, implement and maintain decision-making procedures

and an organisational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities;

(b) to ensure that their relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities;

(c) to establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the investment firm;

(d) to employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;

(e) to establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the investment firm;

(f) to maintain adequate and orderly records of their business and internal organisation;

(g) to ensure that the performance of multiple functions by their relevant persons does not and is not likely to prevent those persons from discharging any particular function soundly, honestly, and professionally.

2. Investment firms shall establish, implement and maintain systems and procedures that are adequate to safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question.

3. Investment firms shall establish, implement and maintain an adequate business continuity policy aimed at ensuring, in the case of an interruption to their systems and procedures, the preservation of essential data and functions, and the maintenance of investment services and activities, or, where that is not possible, the timely recovery of such data and functions and the timely resumption of their investment services and activities.

4. Investment firms shall establish, implement and maintain accounting policies and procedures that enable them, at the request of the competent authority, to deliver in a timely manner to the competent authority financial reports which reflect a true and fair view of their financial position and which comply with all applicable accounting standards and rules.

5. Investment firms shall monitor and, on a regular basis, evaluate the adequacy and effectiveness of their systems, internal control mechanisms and arrangements established in accordance with paragraphs 1 to 4, and to take appropriate measures to address any deficiencies.

Article 4

Investment research

1. "Investment research" means research or other information:

(a) recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments;

(b) intended for distribution channels or for the public,

(c) labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;

(d) if the recommendation in question were made by an investment firm to a client, it would not constitute the provision of investment advice for the purposes of article 4, para.1(e), of Law 3606/2007.

2. A recommendation of the type covered by article 2, para.2, of HCMC Decision 4/347/12 July 2005 but relating to financial instruments as defined in article 5 of Law 3606/2007 that does not meet the conditions set out in paragraph 1 shall be treated as a marketing communication for the purposes of Law 3606/2007. Any investment firm that produces or disseminates the recommendation shall ensure that:

(a) it is clearly identified as such; and

(b) it contains a clear and prominent statement that (or, in the case of an

oral recommendation, to the effect that) it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Article 5

Additional organisational requirements where a firm produces and disseminates investment research

1. Investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set out in Article 22, para.3 and 4 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated.

2. Investment firms covered by paragraph 1 shall have in place arrangements designed to ensure that the following conditions are satisfied:

(a) financial analysts and other relevant persons must not undertake personal transactions or trade, other than as market makers acting in good faith and in the ordinary course of market making or in the execution of an unsolicited client order, on behalf of any other person, including the investment firm, in financial instruments to which investment research relates, or in any related financial instruments, with knowledge of the likely timing or content of that investment research which is not publicly available or available to clients and cannot readily be inferred from information that is so available, until the recipients of the investment research have had a reasonable opportunity to act on it;

(b) in circumstances not covered by point (a), financial analysts and any

other relevant persons involved in the production of investment research must not undertake personal transactions in financial instruments to which the investment research relates, or in any related financial instruments, contrary to current recommendations, except in exceptional circumstances and with the prior approval of a member of the firm's legal or compliance function;

(c) the investment firms themselves, financial analysts, and other relevant persons involved in the production of the investment research must not accept inducements from those with a material interest in the subject-matter of the investment research;

(d) the investment firms themselves, financial analysts, and other relevant persons involved in the production of the investment research must not promise issuers favourable research coverage;

(e) issuers, relevant persons other than financial analysts, and any other persons must not before the dissemination of investment research be permitted to review a draft of the investment research for the purpose of verifying the accuracy of factual statements made in that research, or for any other purpose other than verifying compliance with the firm's legal obligations, if the draft includes a recommendation or a target price.

For the purposes of this paragraph, “related financial instrument” means a financial instrument the price of which is closely affected by price movements in another financial instrument which is the subject of investment research, and includes a derivative on that other financial instrument.

3. Investment firms which disseminate investment research produced by another person to the public or to clients shall be exempt from complying with paragraph 1 if the following criteria are met:

(a) the person that produces the investment research is not a member of the group to which the investment firm belongs;

(b) the investment firm does not substantially alter the recommendations

within the investment research;

(c) the investment firm does not present the investment research as having been produced by it;

(d) the investment firm verifies that the producer of the research is subject to requirements equivalent to the requirements under this Directive in relation to the production of that research, or has established a policy setting such requirements.

Article 6

Compliance

1. Investment firms shall, take into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business, establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the firm to comply with its obligations under Law 3606/2007, as well as the associated risks, and put in place adequate measures and procedures designed to minimise such risk and to enable the Capital Market Commission to exercise its related powers effectively.

2. Investment firms shall establish and maintain a permanent and effective compliance function which operates independently and which has the following responsibilities:

(a) to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place in accordance with the first subparagraph of paragraph 1, and the actions taken to address any deficiencies in the firm's compliance with its obligations;

(b) to advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the firm's obligations under Directive 2004/39/EC.

3. In order to enable the compliance function to discharge its responsibilities properly and independently, investment firms shall ensure

that the following conditions are satisfied:

(a) the compliance function must have the necessary authority, resources, expertise and access to all relevant information;

(b) a compliance officer must be appointed and must be responsible for the compliance function and for any reporting as to compliance required by Article 9(2);

(c) the relevant persons involved in the compliance function must not be involved in the performance of services or activities they monitor;

(d) the method of determining the remuneration of the relevant persons involved in the compliance function must not compromise their objectivity and must not be likely to do so.

4. However, an investment firm shall not be required to comply with point (c) or point (d) if it is able to demonstrate that in view of the nature, scale and complexity of its business, and the nature and range of investment services and activities, the requirement under that point is not proportionate and that its compliance function continues to be effective.

Article 7

Risk management

1. Investment firms shall establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the firm's activities, processes and systems and where appropriate, set the level of risk tolerated by the firm.

2. Investment firms shall adopt effective arrangements, processes and mechanisms to manage the risks relating to the firm's activities, processes and systems, in light of that level of risk tolerance.

3. Investment firms shall monitor the following:

(a) the adequacy and effectiveness of the investment firm's risk management policies and procedures;

(b) the level of compliance by the investment firm and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with paragraph 2

(c) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

4. Investment firms shall establish and maintain a risk management function that operates independently and carries out the following tasks:

(a) implementation of the risk management policy and procedures;

(b) provision of reports and advice to senior management in accordance with article 9, para.2, hereof.

5. Where an investment firm is not required to establish and maintain a risk management function that functions independently, it must nevertheless be able to demonstrate that the policies and procedures which it is has adopted in accordance with paragraphs 1 to 3 satisfy the requirements of that paragraph and are consistently effective.

Article 8

Internal audit

1. Investment firms shall establish and maintain an internal audit function which has the following responsibilities:

(a) to establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the investment firm's systems, internal control mechanisms and arrangements;

(b) to issue recommendations based on the result of work carried out in accordance with point (a);

(c) to verify compliance with those recommendations;

(d) to report in relation to internal audit matters in accordance with article 9, para.2, hereof.

2. Investment firms shall appoint an internal audit manager, who will be responsible for the internal audit function and the reports referred to in article 9, paragraph 2, hereof.

3. Investment firms, where appropriate and proportionate in view of the

nature, scale and complexity of their business and the nature and range of investment services and activities undertaken in the course of that business, shall establish and maintain an internal audit function which is separate and independent from the other functions and activities of the investment firm.

Article 9

Responsibility of senior management

1. Investment firms, when allocating functions internally, shall ensure that senior management, and, where appropriate, the supervisory function, are responsible for ensuring that the firm complies with its obligations under Law 3606/2007. In particular, senior management and, where appropriate, the supervisory function shall be required to assess and periodically to review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under Law 3606/2007 and to take appropriate measures to address any deficiencies.

2. Investment firms shall ensure that their senior management receive on a frequent basis, and at least annually, written reports on the matters covered by articles 6, 7 and 8 hereof indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

3. Investment firms shall ensure that the supervisory function, if any, receives on a regular basis written reports on the same matters.

Article 10

Complaints handling

Investment firms shall establish, implement and maintain effective and transparent procedures for the reasonable and prompt handling of complaints received from retail clients or potential retail clients, and to keep a record of each complaint and the measures taken for its resolution.

Article 11

Meaning of personal transaction

For the purposes of articles 5 and 12 hereof, “personal transaction” means a trade in a financial instrument effected by or on behalf of a relevant person,

where at least one of the following criteria are met:

(a) that relevant person is acting outside the scope of the activities he carries out in that capacity;

(b) the trade is carried out for the account of any of the following persons:

(i) the relevant person;

(ii) any person with whom he has a family relationship, or with whom he has close links;

(iii) a person whose relationship with the relevant person is such that the relevant person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

Article 12

Personal transactions

1. Investment firms shall establish, implement and maintain adequate arrangements aimed at preventing the following activities in the case of any relevant person who is involved in activities that may give rise to a conflict of interest, or who has access to inside information within the meaning of article 6 of Law 3606/2007 or to other confidential information relating to clients or transactions with or for clients by virtue of an activity carried out by him on behalf of the firm:

(a) entering into a personal transaction which meets at least one of the following criteria:

(i) that person is prohibited from entering into it under Law 3606/2007;

(ii) it involves the misuse or improper disclosure of that confidential information;

(iii) it conflicts or is likely to conflict with an obligation of the investment firm under Law 3606/2007;

(b) advising or procuring, other than in the proper course of his employment or contract for services, any other person to enter into a

transaction in financial instruments which, if a personal transaction of the relevant person, would be covered by point (a) or article 5(2)(a) hereof or (b) or article 24(3) of HCMC decision 1/452/1 Nov 2007;

(c) without prejudice to article 4(a) of Law 3340/2005, disclosing, other than in the normal course of his employment or contract for services, any information or opinion to any other person if the relevant person knows, or reasonably ought to know, that as a result of that disclosure that other person will or would be likely to take either of the following steps:

(i) to enter into a transaction in financial instruments which, if a personal transaction of the relevant person, would be covered by point (a) or article 5(2)(a) hereof or (b) or article 24(3) of HCMC decision 1/452/1 Nov 2007; or

(ii) to advise or procure another person to enter into such a transaction.

2. The arrangements required under paragraph 1 must in particular be designed to ensure that:

(a) each relevant person covered by paragraph 1 is aware of the restrictions on personal transactions, and of the measures established by the investment firm in connection with personal transactions and disclosure, in accordance with paragraph 1;

(b) the firm is informed promptly of any personal transaction entered into by a relevant person, either by notification of that transaction or by other procedures enabling the firm to identify such transactions;

(c) a record is kept of the personal transaction notified to the firm or identified by it, including any authorisation or prohibition in connection with such a transaction.

3. Paragraphs 1 and 2 shall not apply to the following kinds of personal transaction:

(a) personal transactions effected under a discretionary portfolio

management service where there is no prior communication in connection with the transaction between the portfolio manager and the relevant person or other person for whose account the transaction is executed;

(b) personal transactions in units in collective undertakings that comply with the conditions necessary to enjoy the rights conferred by Directive 85/611/EEC or are subject to supervision under the law of a Member State which requires an equivalent level of risk spreading in their assets, where the relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking.

4. In the case of outsourcing arrangements, the investment firm must ensure that the firm to which the activity is outsourced maintains a record of personal transactions entered into by any relevant person and provides that information to the investment firm promptly on request.

CHAPTER 3

OUTSOURCING

Article 13

Meaning of critical and important operational functions

1. For the purposes of the article 12, paragraph 5, of Law 3606/2007, an operational function shall be regarded as critical or important if a defect or failure in its performance would materially impair the continuing compliance of an investment firm with the conditions and obligations of its authorisation or its other obligations under Law 3606/2007, or its financial performance, or the soundness or the continuity of its investment services and activities.

2. The following functions shall not be considered as critical or important 1:

(a) the provision to the firm of advisory services, and other services which do not form part of the investment business of the firm, including the provision of legal advice to the firm, the training of

personnel of the firm, billing services and the security of the firm's premises and personnel;

(b) the purchase of standardised services, including market information services and the provision of price feeds.

Article 14

Conditions for outsourcing

1. When investment firms outsource critical or important operational functions or any investment services or activities, the firms shall remain fully responsible for discharging all of their obligations under Directive 2004/39/EC and comply, in particular, with the following conditions:

(a) the outsourcing must not result in the delegation by senior management of its responsibility;

(b) the relationship and obligations of the investment firm towards its clients under the terms of Law 3606/2007 must not be altered;

(c) the conditions with which the investment firm must comply in order to be authorised in accordance with article 11 of Law 3606/2007, and to remain so, must not be undermined;

(d) none of the other conditions subject to which the firm's authorisation was granted must be removed or modified.

2. Investment firms shall exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical or important operational functions or of any investment services or activities. Investment firms shall in particular take the necessary steps to ensure that the following conditions are satisfied:

(a) the service provider must have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally;

(b) the service provider must carry out the outsourced services effectively, and to this end the firm must establish methods for assessing the standard of performance of the service provider;

(c) the service provider must properly supervise the carrying out of the

outsourced functions, and adequately manage the risks associated with the outsourcing;

(d) appropriate action must be taken if it appears that the service provider may not be carrying out the functions effectively and in compliance with applicable laws and regulatory requirements;

(e) the investment firm must retain the necessary expertise to supervise the outsourced functions effectively and manage the risks associated with the outsourcing and must supervise those functions and manage those risks;

(f) the service provider must disclose to the investment firm any development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements;

(g) the investment firm must be able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to clients;

(h) the service provider must cooperate with the competent authorities of the investment firm in connection with the outsourced activities;

(i) the investment firm, its auditors and the relevant competent authorities must have effective access to data related to the outsourced activities, as well as to the business premises of the service provider; and the competent authorities must be able to exercise those rights of access;

(j) the service provider must protect any confidential information relating to the investment firm and its clients;

(k) the investment firm and the service provider must establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities, where that is necessary having regard to the function, service or activity that has been outsourced.

3. The respective rights and obligations of the investment firms and of the service provider shall be clearly allocated and set out in a written

agreement.

4. Where the investment firm and the service provider are members of the same group, the investment firm may, for the purposes of complying with this article and article 15 hereof, take into account the extent to which the firm controls the service provider or has the ability to influence its actions.

5. Investment firms shall make available on request to the Capital Market Commission all information necessary to enable it to supervise the compliance of the performance of the outsourced activities with the requirements of this decision.

Article 15

Service providers located in third countries

1. In addition to the requirements set out in article 14, where an investment firm outsources the investment service of portfolio management provided to retail clients to a service provider located in a third country, that investment firm shall ensure that the following conditions are satisfied:

(a) the service provider must be authorised or registered in its home country to provide that service and must be subject to prudential supervision;

(b) there must be an appropriate cooperation agreement between the competent authority of the investment firm and the supervisory authority of the service provider.

2. Where one or both of those conditions mentioned in paragraph 1 are not satisfied, an investment firm may outsource investment services to a service provider located in a third country only if the firm gives prior notification to the Capital Market Commission about the outsourcing arrangement and the Capital Market Commission does not object to that arrangement within a reasonable time following receipt of that notification.

CHAPTER 4

SAFEGUARDING OF CLIENT ASSETS

Article 16

Safeguarding of client financial instruments and funds

1. For the purposes of safeguarding clients' rights in relation to financial instruments and funds belonging to them, investment firms shall comply with the following requirements:

(a) they must keep such records and accounts as are necessary to enable them at any time and without delay to distinguish assets held for one client from assets held for any other client, and from their own assets;

(b) they must maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients;

(c) they must conduct, on a regular basis, reconciliations between their internal accounts and records and those of any third parties by whom those assets are held;

(d) they must take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with article 17, are identifiable separately from the financial instruments belonging to the investment firm and from financial instruments belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection;

(e) they must take the necessary steps to ensure that client funds deposited, in accordance with article 18, in a central bank, a credit institution or a bank authorised in a third country or a qualifying money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the investment firm;

(f) they must introduce adequate organisational arrangements to

minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

Article 17

Depositing client financial instruments

1. Investment firms may deposit financial instruments held by them on behalf of their clients into an account or accounts opened with a third party provided that the firms exercise all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instruments. In particular, investment firms shall take into account the expertise and market reputation of the third party as well as any legal requirements or market practices related to the holding of those financial instruments that could adversely affect clients' rights.

2. Investment firms shall deposit client financial instruments with a third party in a third country only where such third party is subject to special regulation and supervision in such country.

3. Investment firms shall not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person unless one of the following conditions is met:

(a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party in that third country;

(b) where the financial instruments are held on behalf of a professional client, that client requests the firm in writing to deposit them with a third party in that third country.

Article 18

Depositing client funds

1. Investment firms, on receiving any client funds, shall promptly place

those funds into one or more accounts opened with any of the following:

(a) a central bank;

(b) a credit institution authorised in accordance with Law 3601/2007 or Directive 2000/12/EC, as transposed by another Member State;

(c) a bank authorised in a third country;

(d) a qualifying money market fund.

2. For the purposes of point (d) of paragraph 1, and of article 16(1)(e), a "qualifying money market fund" means a mutual fund under Law 3283/2004, a collective investment undertaking authorised under Directive 85/611/EEC, or which is subject to supervision and, if applicable, authorised by an authority under the national law of a Member State, and which satisfies the following conditions:

(a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;

(b) it must, with a view to achieving that primary investment objective:

  (i) invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity; and

  (ii) with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;

(c) it must provide liquidity through same day or next day settlement.

A money market instrument shall be considered to be of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument. An instrument that is not rated by any competent rating agency shall not be considered to be of high quality.

A rating agency shall be considered to be competent if it issues credit ratings in respect of money market funds regularly and on a professional

basis and is an eligible ECAI within the meaning of article 25, paragraph 5(c) and (d), of Law 3601/2007.

3. Where investment firms do not deposit client funds with a central bank, they shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds.

Investment firms shall take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect clients' rights.

4. Clients shall have the right to oppose the placement of their funds in a qualifying money market fund.

Article 19

Use of client financial instruments

1. Investment firms shall not be allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by them on behalf of a client, or otherwise use such financial instruments for their own account or the account of another client of the firm, unless the following conditions are met:

(a) the client must have given his prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism;

(b) the use of that client's financial instruments must be restricted to the specified terms to which the client consents.

2. Investment firms may enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for their own account or for the account of another client unless, in addition to the

conditions set out in paragraph 1, at least one of the following conditions is met:

(a) each client whose financial instruments are held together in an omnibus account must have given prior express consent in accordance with point (a) of paragraph 1;

(b) the investment firm must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with point (a) of paragraph 1 are so used.

3. The records of the investment firm shall include details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used belonging to each client who has given his consent, so as to enable the correct allocation of any loss.

Article 20

Reports by external auditors

Investment firms shall ensure that their external auditors report at least annually to the Capital Market Commission on the adequacy of the firm's arrangements under article 12, paragraphs 8 and 9, of Law 3606/2007 and articles 16 to 19 hereof. The report shall be submitted within two months of the closing of the financial year.

CHAPTER 4

CONFLICTS OF INTEREST

Article 21

Conflicts of interest potentially detrimental to a client

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client, investment firms shall take into account, by way of minimum criteria, the question of whether the investment firm or a relevant person, or a person directly or indirectly linked by control to the firm, is in any of the following situations, whether as a result of providing investment or ancillary services

or investment activities or otherwise:

(a) the firm or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;

(b) the firm or that person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;

(c) the firm or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;

(d) the firm or that person carries on the same business as the client;

(e) the firm or that person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Article 22

Conflicts of interest policy

1. Investment firms shall establish, implement and maintain an effective conflicts of interest policy set out in writing and appropriate to the size and organisation of the firm and the nature, scale and complexity of its business. Where the firm is a member of a group, the policy must also take into account any circumstances, of which the firm is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.

2. The conflicts of interest policy shall include the following content:

(a) it must identify, with reference to the specific investment services and activities and ancillary services carried out by or on behalf of the investment firm, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients;

(b) it must specify procedures to be followed and measures to be adopted in order to manage such conflicts.

3. The procedures and measures provided for in paragraph 2(b) shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the materiality of the risk of damage to the interests of clients.

4. The procedures to be followed and measures to be adopted pursuant to paragraph 2(b) shall include such of the following as are necessary and appropriate for the firm to ensure the requisite degree of independence:

(a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;

(b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm;

(c) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;

(d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;

(e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

5. If the adoption or the practice of one or more of those measures and

procedures does not ensure the requisite degree of independence, investment firms shall adopt such alternative or additional measures and procedures as are necessary and appropriate for those purposes.

6. Disclosure to clients, pursuant to article 13, paragraph 2, of Law 3606/2007, shall be made in a durable medium and includes sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

Article 23

Record of services or activities giving rise to detrimental conflict of interest

Investment firms shall keep and regularly update a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

CHAPTER 6

RETENTION OF RECORDS

Article 24

Retention of records

1. Investment firms shall retain all the records required under Law 3606/2007 and its implementing measures for a period of at least five years. Additionally, records which set out the respective rights and obligations of the investment firm and the client under an agreement to provide services, or the terms on which the firm provides services to the client, shall be retained for at least the duration of the relationship with the client.

2. The Capital Market Commission may, in exceptional circumstances, require investment firms to retain any or all of those records for such longer period as is justified by the nature of the instrument or transaction, if that is necessary to enable it to exercise its supervisory functions. Following the termination of the authorisation of an investment firm, the Capital Market

Commission may require the firm to retain records for the outstanding term of the five year period required under the preceding paragraph.

3. The records shall be retained in a medium that allows the storage of information in a way accessible for future reference by the competent authority, and in such a form and manner that the following conditions are met:

(a) the Capital Market Commission must be able to access them readily and to reconstitute each key stage of the processing of each transaction;

(b) it must be possible for any corrections or other amendments, and the contents of the records prior to such corrections or amendments, to be easily ascertained;

(c) it must not be possible for the records otherwise to be manipulated or altered.

4. In order to comply with the provisions of Law 3606/2007, investment firms shall retain, *inter alia*, records on:

(a) client identity and categorization;

(b) client agreements;

(c) information about the assessment of client suitability and appropriateness;

(d) transactions in financial instruments for its own account or the account of clients;

(e) the aggregation and allocation of orders;

(f) orders given in the context of portfolio management and client orders received in the context of receiving and transmitting of orders;

(g) the execution of client orders and transactions made for its own account;

(h) the transmission of orders received by the investment firm;

(i) periodic statements to clients;

(j) client financial instruments held by the investment firm;

(k) client financial instruments that have been the subject of securities financing transactions or can be used in any other manner;

(l) client funds;

(m) the investment firm's communication policy;

(n) investment research;

(o) the investment firm's business activities and internal organisation;

(p) compliance procedures and reports;

(q) risk management procedures and reports;

(r) internal audit procedures and reports;

(s) investment services or activities that may give rise to a conflict of interest;

(t) client complaints and related measures;

(u) systematic internalisers' firm quotes;

(v) personal transactions;

(w) inducement-related information notified to clients; and

(x) the provision of investment advice to retail clients.

CHAPTER 7

TRANSITIONAL PROVISIONS

Article 25

Abrogated decisions

The following decisions shall be abrogated on entry hereof into force:

(a) HCMC decision 2/306/22 June 2004 (GG B 1029/8 July 2004) on the segregation of client and investment firm funds;

(b) HCMC decision 16/262/6 Feb 2003 (GG B 297/13 Mar 2003) on the arrangements for the provision of client investment portfolio management service by investment firms;

(c) HCMC decision 10/123/20 Jan 1998 (GG B 137/18 Feb 1998) on the terms and conditions of cooperation between the ATHEX members with firms referred to in article 3, paragraph 1(i), of Law 2396/1996 and with firms acting as their agents.

Article 26

Entry into force

1. This decision shall enter into force on publication in the Government Gazette.
2. No expenditure is incurred by the State Budget due to the provisions hereof.
3. The present shall be published in the Government Gazette.

The Secretary

The President	The 1st Vice-President	The 2nd Vice-President
Alexios A. Pilavios	Giangos Haralambous	Anastasios Th. Gavriilidis

The Members

True copy
Signature
Seraphim Varvaris
Administrative & Financial Services Director
Seal: Hellenic Republic, Hellenic Capital Market Commission, Legal Entity in Public Law

Athens, March 2009
True translation from Greek
The translator Eleni Dimitriou