

PORTFOLIO INVESTMENT COMPANIES **(Law 1969/1991)**

Art. 1

The Portfolio Investment Company (hereinafter PIC) is a closed-end fund. It must be incorporated as a *Société Anonyme* with the sole purpose of managing a portfolio of transferable securities. The term 'transferable securities' comprises, among others, shares, debentures, bonds and certificates of deposit. The PIC is governed by Law 1969/91. The general provisions of Greek Corporate Law (Law 2190/1920) are also applicable for PICs.

The share capital of the PIC (minimum 500 million drachmas) must be totally paid up at the incorporation. The contributions to the share capital can be in cash or in transferable securities. They can also consist of movables or immovables, serving the operational needs of the company, up to 10% of the share capital.

Art. 2

The HCMC is the competent authority for providing a license for the establishment of a PIC. A similar license must be granted for the transformation of an existing *Société Anonyme* into a PIC. Before granting that license the HCMC must evaluate the organization of the company, its technical and financial means, the trustworthiness and the experience of its executives, the capability of its founders to ensure prudent management. The HCMC can work out more specific criteria.

Any amendment to the articles of association of a PIC, as well as an increase in its share capital is subject to the approval of the HCMC.

Art. 3

The PIC must apply for listing to the Athens Stock Exchange within six months after its incorporation. The general legal principles for listing are applicable with one additional precondition: 50% of the share capital of the PIC must have already been placed in transferable securities. If the PIC does not apply for listing within the period of six months, the HCMC revokes its license and places the PIC under receivership. The six-month period may be extended by the HCMC for specific reasons (*e.g. force majeure*).

Art. 4

The funds of PICs can only be invested in: (a) transferable securities listed on the primary or secondary stock markets of any E.U. member state, (b) transferable securities negotiated in an other supervised market of a member state, if this market is recognized and open to the public, (c) transferable securities listed on the primary or secondary stock markets of any non-member state, if this market fulfils the conditions of section b (above), (d) units in Greek, E.U. or third country Mutual (open-end) Funds if they fulfil the conditions of Directive 85/611/EEC, (e) new issues of transferable securities if their issue entails compulsory listing, (f) other transferable securities at a maximum of 1/10 of the PIC's own funds under a special license by the HCMC, (g) movables and immovables serving the operation needs of the PIC, up to 1/10 of its own funds, (h) cash and bank deposits.

The evaluation of the above transferable securities at the end of every fiscal year is made on the basis of the lowest price between the acquisition price of the whole portfolio and its current price. Current price is defined: (a) for listed transferable securities as the average of the market price during the last month of the fiscal year and (b) for non-listed securities as the price that is calculated according to the rules set from time to time by the HCMC.

PICs are subject to existing currency restrictions when they export currency for overseas investments. It should be noted, however, that these restrictions have been progressively relaxed in recent years.

PICs can enter into contracts or transactions aiming at the effective management of their portfolio of transferable securities as well as the hedging against currency risks. The HCMC can also regulate the above contracts or transactions.

Art. 5

At the time of realizing its placements a PIC is not allowed to invest more than 10% of its own funds on securities of the same issuer.

PICs can invest up to 35% of their own funds in transferable securities of the same issuer if the latter is a E.U. member state, a regional or local authority of a member state, a supranational organization (such as the World Bank, the IFC etc), or if the transferable securities in question are guaranteed by one of the above entities. The total of the above placements may be increased up to 100% of the PIC own funds, provided that the company possesses transferable securities that come from six, at least,

different issues and the securities from the same issue do not exceed 30% of the PIC own funds.

The above limits can be amended by presidential decree after a proposal by the Minister of National Economy and an expressed opinion by the HCMC.

Art. 6

PICs are not allowed to acquire shares of any company representing more than 10% of the share capital of the latter. Nevertheless, they are allowed to acquire up to 51% of companies engaged in providing the investment advisory services.

PICs are not allowed to acquire more than 10% of: (a) the non-voting shares of the same issuer, (b) the unpaid debentures of the same issuer, (c) the outstanding units of a mutual fund, (d) Investment Services Companies and Brokerage Firms and (e) the Central Securities Depository *Société Anonyme*.

The limits set in article 6 do not apply to issues of E.U. member states, regional or local authorities of a member state, supranational organizations, or if the transferable securities in question are guaranteed by one of these entities.

Art. 7

An exemption from articles 4, 5 and 6 is granted in case a company participates in a share capital increase and acquires shares when exercising its rights of preference. If the shares acquired exceed the limits of articles 4, 5, and 6, the PIC is obliged to sell the 'excess' shares within one year from the date of acquisition.

Art. 8

The transferable securities of PICs are deposited with a Bank operating in Greece. Foreign or Greek securities listed abroad can be deposited with foreign banks (*i.e.* not operating in Greece) or other person authorized to provide depository services.

Art. 9

PICs are allowed to borrow sums up to 10% of their own funds for investment on transferable securities and for obtaining real estate properties.

Art. 10

PICs have to distribute to their shareholders in the form of dividends the total of their net profits. Following a decision of the General Meeting, capital gains may be transferred to a special reserve in order to cover any possible future losses from sales of transferable securities. This possibility is suspended when such special reserve amounts to 300% of the company's own funds.

The General Meeting of shareholders may decide to establish a legal (ordinary) reserve (5% of share capital per year) according to corporate law.

If at the end of any fiscal year the company has realized accounting losses arising from the evaluation of its transferable securities, it may form an equivalent provision from that year's profits

PICs are not allowed to pay to the members of their Boards of Directors emoluments exceeding 1/10 of distributed profits during any fiscal year or 1/20 of capital gains (surplus value) of their portfolio at the end of that year.

Art. 11

HCMC may assign extraordinary external audit by a certified auditor.

Art. 12

PICs divulge every three months a table with all their investments indicating their average acquisition cost and their market value and publish every six months their total net worth and per share internal value at current prices.

Art. 12a

With a special license from the HCMC, a PIC can be transformed into a Mutual (open-end) fund, following a relatively simple procedure.

Art. 13

The HCMC is the competent authority for imposing administrative penalties on directors, executives and certain employees of PICs when they infringe the provisions of this law.

Art. 14

If someone makes inaccurate or misleading declarations or notifications or uses methods aiming at the creation of a false impression to the public that a company is a PIC, he is subject to an imprisonment sentence and a fine of up to 1 million drachmas.

Art. 15

The HCMC has the authority to initiate the disqualification procedures against a PIC as well as the receivership and insolvency procedures on an *ad hoc* basis but following certain criteria and procedures.

Art. 16

PICs are exempted from any tax, levy, or stamp duty with the only exceptions of the capital concentration tax (1% on issued share capital) and the value added tax.

Interest received by PICs is subjected to a deduction at source, as provided by law (15% on bank deposits, 10% on government securities). Dividends received by the shareholders of PICs are exempted from income tax with the following exemptions:

- the part of distributed dividends which is coming from income exempted from taxation,
- profits from sales of securities at a price higher than the acquisition cost
- income of foreign origin

For those exemptions an income tax at 15% is applicable.