LAW 2396/1996

Investment Services in the securities field, capital adequacy of Investment Services Firms and credit institutions and shares' dematerialisation

PART A

INVESTMENT SERVICES IN THE SECURITIES FIELD, CAPITAL ADEQUACY OF INVESTMENT SERVICES FIRMS AND CREDIT INSTITUTIONS

CHAPTER A

PURPOSE - DEFINITIONS - SCOPE OF APPLICATION

Article 1
Purpose

Chapter A (articles 1 to 38) of the present law aims to adapt to the Greek legislation the European Directives 93/22 (L141/11.6.1993, page 27) and 93/6 (L141/11.6.1993, page 1) on Investment Services in the Securities Field and on the Capital Adequacy of Investment Services Firms and credit institutions, respectively, as well as to regulate other related issues.

Article 2
Definitions

For the purposes of this law:

1. Core investment service shall mean any of the services listed below:

a. (i) Reception and transmission, on behalf of investors, of orders regarding the conduct of trade on one or more of the following instruments:

aa. transferable securities and units in collective investment undertakings.

bb. money market instruments.

cc. financial - futures contracts, including equivalent cash - settled instruments.

dd. forward interest rate agreements (FRAs).

ee. interest rate, currency and equity swaps.

ff. options to acquire or dispose of any of the instruments listed above, including equivalent cash-settled instruments. This category includes in particular currency and interest rate options.

(ii) Execution of those trades and orders, other than for own account.

b. Dealing in any of the above instruments for own account.

c. Managing portfolios of investments in accordance with mandates given by investors on a discriminatory, client-by-client basis where such portfolios include one or more of the instruments listed under a(i).

d. Underwriting, total or partial, in respect of issues of any of the instruments listed under a(i) and/or the placing of such issues.

2. Non-core investment service shall mean any of the following services offered to investors:

a. Safekeeping and administration in relation to one or more of the instruments listed under section a(i).

b. Safe custody services.

c. Granting credits or loans to investors to allow them to carry out transactions in any of the instruments listed under paragraph 1 of this article, provided that the firm granting the loan or the credit is involved in the transactions. The Bank of Greece may impose rules on the granting of credits and loans from Investment Services Firms to investors, consistent with what is being stipulated in the previous clause.

d. Offer of advice to enterprises regarding capital structure, industrial strategy and other related matters, as well as offer of advice and service relating to mergers and acquisitions.

e. Underwriting services.

f. Offer of investment advice on one or several of the instruments listed under paragraph 1 a(i) of this article.

g. Foreign exchange services, where these are connected with the provision of investment services.

3. Investment Services Firm shall refer to:

Any natural person or legal entity the regular occupation or business of which is the provision of investment services to third parties on a professional basis; in specific, all Investment Services Firms, authorised by the Greek competent authorities, are regulated by the provisions of articles 23, paragraph 1, 28 paragraph 1 and 30 paragraph1.

4. Credit institutions shall refer to:

The legal entities falling under the definition of article 2, paragraph 1 of law 2076/1992 (Government Gazette 130 A). The Bank of Greece may extend the scope of the present law to one or more of the credit institutions which are exempted from law 2076/1992.

5. Institutions shall refer to:

The credit institutions and the Investment Services Firms.

6. Transferable securities shall mean:

a. shares in companies and other securities equivalent to shares in companies,

b. bonds and other forms of securitized debt, which are negotiable on the capital market.

c. any other security normally dealt in and giving the right to acquire any such transferable security by subscription or exchange or giving rise to a cash settlement. Instruments of payment are excluded.

7. Money market instruments shall mean:

The instruments which are normally dealt in on the money market.

8. Home Member-State shall mean:

a. Where the Investment Services Firm is a natural person, the Member-State in which its head office is situated.

b. Where the Investment Services Firm is a legal entity, the Member-State in which it is registered and where its head office is situated. If the Investment Services Firm has no registered office, under its national law, the home Member-State shall mean the Member-State in which its head office is situated.

c. In the case of a regulated market, the Member-State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the Member-State in which that body's head office is situated.

9. Host Member-State shall mean:
The Member-State in which an Investment Services Firm has established a branch or provides services.

10. Investment Services Firm's branch shall refer to:
A place of business which is part of an Investment Services Firm, which has no legal status and which provides the investment services listed under paragraph 1 of this article, for which the Investment Services Firm has been authorised. All the places of business set up in the same Member-State by an Investment Services Firm which has been authorised in another Member-State shall be considered to be a single branch.

11. Competent authorities shall mean:
The Bank of Greece and the Capital Market Commission which supervise the institutions.

12. Qualifying holding in an Investment Services Firm shall mean:
Any direct or indirect holding in an Investment Services Firm, representing at least 10% of its capital or of its voting rights, or which permits the exercise of significant influence over the management of the Investment Services Firm in which that holding subsists. Indirect holding is defined as in article 7 of the Presidential Decree 51/1992 (Government Gazette 22 A).

13. Parent undertaking and Subsidiary:
Parent undertaking and Subsidiary are defined as in paragraph 5 of article 42e and paragraph 1 of article 106 of law 2190/1920. Any subsidiary of a subsidiary undertaking shall be regarded as subsidiary of the parent undertaking which is the ultimate parent of all undertakings.

14. Regulated market shall mean:

The market in which the instruments listed under paragraph 1a(i) of this article are traded and which abides to the following conditions:

a. Appears on the list provided for in article 19 of this law.

b. Functions regularly and according to the rules.

c. The operational rules of the market and the rules concerning access and trading in it, as well as the conditions governing admission to listing or the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market have been issued or approved by the competent authorities.

d. Requires compliance with all the reporting and transparency requirements regarding trades effected therein.

15. Control: An undertaking shall be considered to control another when at least one of the conditions stated in articles 42e and 106 of law 2190/1920 holds.

16. Investment Services Firm operating under the freedom to provide services shall mean: An Investment Services Firm which provides services in Greece without having established an office in Greece and which has been authorised by the competent authorities of another Member-State, whereby its head or registered office is situated.

17. Recognised third-country Investment Services Firms shall mean: Firms which are authorised and established in a third country but fall within the definition of an Investment Services Firm and are subject to and comply with prudential rules considered by the competent authorities to be equivalent to those laid down by this law, regarding the protection of the general interest and the proper function of the capital market.

18. Financial instruments shall mean: The instruments listed under paragraph 1 a(i) of this article. Interbank deposits are excluded.

19. Debit securities shall refer to: Securities incorporating a definite commitment of debt repayment, such as Treasury Bills, bonds and other securities of fixed or floating interest rate.

20. Over-the-counter (OTC) derivative instruments shall refer to:

a. interest rate and foreign exchange contracts, as defined in Annex III of the Act of the Governor of the Bank of Greece 2054/92 (Government Gazette 49 A).

b. off balance-sheet contracts on equities, provided that no such contracts are traded on recognised exchanges where they are subject to daily margin requirements.

c. foreign exchange contracts of an original maturity of more than 14 calendar days.

21. The trading book of a credit institution or an Investment Services Firm shall consist of:

a. (i) Proprietary trading positions in financial instruments, which are held by the institution for resale and/or which are taken on by the institution with the intention of benefiting in the short term from actual and/or expected differences between

their buying or selling prices, or from other price or interest rate variations.

(ii) Trading positions in financial instruments arising from matched principal broking.

(iii) Trading positions in financial instruments taken in order to hedge other elements of the trading book.

(iv) Exposures due to unsettled transactions, free deliveries and over-the-counter (OTC) derivative instruments which are mentioned in paragraphs 1,2,3 and 5 of article 36 of this law.

(v) Exposures due to repurchase agreements and securities lending which are based on securities included in the trading book, as defined under points (i), (ii), (iii) of the present paragraph and are mentioned under paragraph 4 of article 36 of this law.

(vi) Exposures due to reverse repurchase agreements and securities-borrowing transactions, as prescribed under paragraph 4 of article 36 of the present law, provided the competent authorities so approve, and which satisfy either the conditions mentioned under clause aa. or the conditions mentioned under clause bb., as follows:

aa. The exposures are daily marked to market, following the procedures laid down in article 36 of the present law. The collateral is adjusted in order to take into account substantial changes in the value of the securities involved in the agreement in question, after a consensus of the parties concerned has been achieved, which is accepted or not by the competent authorities. The agreement provides for the claims of the institution to be automatically and immediately offset against the claims of its counterparty, in the event of the latter's defaulting. These agreements and transactions, especially the short term ones, should be of a non-artificial nature.

bb. The agreement in question, which is of a non-artificial nature, is an interprofessional one according to paragraph 30 of the present article.

(vii) Exposures arising from fees, commissions, interest, dividend and margin on exchange-traded derivatives which are traded in a regulated market and are directly related to the items included in the trading book referred to in paragraph 8 of article 36 of the present law.

b. Institutions must evaluate the position of their trading book in current market prices, on a daily basis, except if they do not fall within the scope of provisions of article 3, paragraph 5 of the present law. In the absence of current market prices, this appraisal is being effected by the methods defined by the Bank of Greece and the Capital Market Commission.

c. Particular financial items may not be included in the trading book, in accordance with objective procedures, including, where appropriate, the accounting standards of the institution concerned. These procedures, as well as their strict implementation are subject to review by the competent authorities.

22. Financial institution shall refer to: an enterprise defined in accordance with paragraph 6 of article 2 of law 2076/1992 (GG 130 A).

23. Financial holding company shall mean: financial institution the subsidiaries of which are exclusively or mainly credit institutions, Investment Services Firms or other financial institutions, one out of which is at least a credit institution or an Investment Services Firm.

24. Risk weightings shall mean: the degrees of credit risk applicable to the relevant counterparties, according to Chapter F of the Act of the Governor of the Bank of Greece 2054/1992, which remain valid for Investment Services Firms, by decision of the Capital Market Commission.

25. Qualifying items shall refer to:

a. Long and short positions:

(i) in the assets referred to in Chapter F, paragraph 1b of the Act of the Governor of the Bank of Greece 2054/1992 and

(ii) in debt instruments issued by Investment Services Firms or by recognised third-country Investment Services Firms.

b. Long and short positions in debt instruments as long as these instruments comply with the following two conditions:

(i) are listed on at least one regulated market of a Member-State or on a regulated market of a third country, provided that this market is recognised by the competent authorities of the relevant Member-State, and

(ii) are considered by the institution concerned to be sufficiently liquid, and due to the solvency of the issuer, to be subject to default risk comparable to or lower than the relevant risk of the assets referred to in Chapter F, paragraph 1b of the Act of the Governor of the Bank of Greece 2054/1992.

The manner in which these instruments are assessed is subject to monitoring by the competent authorities which may reassess the decision of the institution concerned if they feel that the relevant instruments present an exceptionally high default risk to be qualifying items.

c. Notwithstanding the foregoing, qualifying items may also be considered to be the debt instruments, which according to the competent authorities are sufficiently liquid, and due to the solvency of the issuer, to be subject to default risk comparable to or lower than the relevant risk of the assets referred to in Chapter F, paragraph 1b of the

Act of the Governor of the Bank of Greece 2054/1992.

The default risk associated with such instruments must have been assessed at that level by at least two credit-rating agencies, recognised by the competent authorities or by at least one such agency, provided that no other credit-rating agency recognised by the competent authorities has given a lower rating to the relevant instruments. The conditions for recognition of the above will be defined upon decision of the Minister of National Economy, following a recommendation by the Bank of Greece and by the Capital Market Commission.

Depending on each case, the Bank of Greece or the Capital Market Commission may accept an evaluation from the above credit-rating agencies, taking into account the characteristics either of the market, or of the issuer, or of both. These authorities demand from the institutions to apply the maximum weighting shown in Table 1 of article 35 of this law, to the qualifying items which present a particular risk due to the insolvency of the issuer and/or insufficient liquidity.

The competent authorities shall regularly provide the Council and the Commission with information on the methodology used for the evaluation of the qualifying items, especially with regard to the liquidity of the issued instrument, or to the solvency of the issuer.

26. Central government items shall mean: long and short positions in the assets referred to in Chapter F, paragraph 1b of the Act of the Governor of the Bank of Greece 2054/1992, as well as to those assigned a weighting of zero, according to Chapter F, paragraph 1b of the same Act.

27. Convertible security shall mean: the security which, at the option of the holder, may be converted into another security, usually into shares of the same issuer.

28. Warrant shall refer to: the instrument which gives its holder the right to acquire a certain number of shares or other securities, at a stipulated price until its expiry date. The settlement is effected upon physical delivery either of the shares or of the other securities themeselves or of their cash equivalent.

29. Covered warrant shall refer to: the instrument issued by an entity other than the issuer of the underlying instrument which gives its holder the right to acquire a certain number of shares or other securities, at a stipulated price and ensures profit or counterbalances the risks associated with fluctuations in an index relating to any of the financial instruments listed in subsections aa to ff of paragraph 1a (i) of article 2 of this law until the warrant's expiry date.

30. Repurchase agreement and reverse repurchase agreement shall mean: an agreement by which an institution or its counterparty transfers securities or guarantee rights relating to the title of the securities - where that guarantee is issued by a recognised securities exchange who holds the rights to the securities - subject to a special repurchase agreement of the securities themselves or of their rights or substitutes at a stipulated price and on a future date which is set up or may be set up by the transferor, provided that the content of the agreement does not allow the institution to transfer or pledge the particular securities to more than one counterparty at one time. The above agreement is considered to be a repo agreement for the institution which transfers the securities and a reverse repo agreement for the institution which acquires the securities.

A reverse repurchase agreement shall be considered an interprofessional transaction, when the counterparty is an Investment Services Firm, or a credit institution, or a recognised third country Investment Services Firm , as defined under paragraphs 3, 4 and 17 of the present article, or a credit institution of zone A , as defined in paragraph 1b of the Second Chapter F of the Act of the Governor of the Bank of Greece 2054/1992, or when the relevant agreement is set up in a regulated market and is concluded with a recognised clearing house.

31. Securities lending and securities borrowing shall refer to: an agreement by which an institution or its counterparty transfers securities against collaterals, subject to the commitment that the borrower will give back, on a stipulated future date or when the transferor requires so, equivalent securities. This agreement is considered to be a securities lending transaction for the institution which transfers the securities and a securities borrowing transaction for the institution to which the securities are being transferred.

A securities borrowing agreement shall be considered an interprofessional transaction, when the counterparty is an Investment Services Firm, or a credit institution, or a recognised third country Investment Services Firm , as defined under paragraphs 3,4 and 17 of the present article, or a credit institution of zone A , as defined in paragraph 1b of the Second Chapter F of the Act of the Governor of the Bank of Greece 2054/1992, or when the relevant agreement is set up in a regulated market and is concluded with a recognised clearing house.

32. Member of a regulated market or clearing member shall refer to: a member of a regulated market or of a clearing house which has a direct contractual relationship with the regulated market,

or with the clearing house where the securities are guaranteed. Non-members must have their trades routed through a clearing member or a member of a regulated market.

33. Delta shall mean: the expected change in an option price divided by a small change in the price of the underlying asset of the option.

34. Long position, short position: For the purposes of article 35, paragraph 4 of the present law, a long position shall refer to the position in which an institution has set up the interest rate at which its future receivable cashflows will be determined and short position shall refer to the position in which an institution has set up the interest rate at which its future payable cashflows will be determined.

35. Own funds shall mean: own funds of credit institutions, as defined in the Act of the Governor of the Bank of Greece 2053/1992 (GG 49 A), as valid respectively for Investment Services Firms, by decision of the Capital Market Commission, subject to the use of an alternative definition of own funds in the cases mentioned in article 38 of the present law.

36. Initial capital shall mean: the initial capital of credit institutions, as defined in points 1a, 1b, 2a, 2b and 2c of paragraph A of Chapter 1 of the Act of the Governor of the Bank of Greece 2053/1992 (GG 49 A), as valid respectively for Investment Services Firms, by decision of the Capital Market Commission.

37. Original own funds shall mean: the original own funds of credit institutions, as defined in paragraph A of Chapter 1 of the Act of the Governor of the Bank of Greece 2053/1992 (GG 49 A), as valid. The Act also applies to Investment Services Firms, by decision of the Capital Market Commission.

38. Capital shall refer to: the own funds as described in paragraph 35 of the present article.

39. Index of modified duration shall mean: the estimated duration based on the method prescribed in article 35, paragraph 9b of the present law.

Article 3

Scope of Application

1. The provisions of the present law, with the exception of articles 23 through 31, regulate Investment Services Firms and credit institutions. The provisions of articles 1 through 38 of the present law are not applicable, unless otherwise provided to:

a. The Bank of Greece

b. The NBID

c. The Consignations and Loan Fund

d. The Postal Savings Bank

e. The Insurance Companies of the legal decree 400/1970, as valid.

f. The Investment Services Firms which provide investment services exclusively to their parent undertakings or to their subsidiary or to another subsidiary of their parent undertakings.

g. The persons providing investment services, where that service is provided in an incidental manner in the course of their professional activity, provided that this activity is regulated by legal or regulatory provisions or Rules of Conduct, which do not exclude the provision of these services. The provision of investment services from the persons listed above is regulated by the provisions of the Rules of Conduct of article 7.

h. The firms that provide investment services consisting exclusively in the administration of employee or pensioner participation schemes.

i. The firms that fulfil the following conditions:

(i) Provide investment services limited to the reception and transmission of orders regarding transferable securities,

(ii) Are not allowed to hold funds, securities or financial instruments which belong to their clients,

(iii) When providing the services listed above, may transmit orders only to:

aa. Investment Services Firms authorised in Greece or in another Member State of the European Union.

bb. Credit institutions authorised in Greece or in another Member State of the European Union.

cc. Investment Services Firms or credit institutions or branches of Investment Services Firms or credit institutions which are authorised in a third country and which are subject to rules of prudential supervision that are at least equivalent to the rules laid down for the prudential supervision of Investment Services Firms or credit institutions.

dd. Collective Investment Undertakings, portfolio investment companies of law 1969/1991 and institutional investors in general who are authorised to allocate units or shares to the public, regardless of whether they fall or not within the scope of the provisions of law 1969/1991 (GG 167 A).

j. Firms, natural persons or legal entities that exercise as Investment Services Firms' representatives the activity prescribed under point a(i) of paragraph 1 of article 2 of the present law, provided that the Investment Services Firms are fully liable with these firms for the activities of the latter. By decision of the Capital Market Commission, may be defined the minimum content of the contract between such firms and the Investment Services Firms, in order to ensure full liability of Investment Services Firms. The same decision also determines the reports that have to be filed by the Investment Services Firm to the Capital Market Commission regarding the acceptance of full liability.

k. Collective Investment Undertakings, mutual funds and portfolio investment companies of law 1969/1991 (GG 167 A)

l. Persons, the professional activity of which consists of trading in commodities among themselves, or with producers, or with users of such products, and who provide investment services only to their counterparties during the course of their activity and only to the extent necessary for it.

2. The rights conferred by this law shall not extend to the provision of investment services from legally authorised bodies to the Member State, or to the Bank of Greece, or to other bodies of the State, in the pursuit of the monetary, exchange rate, public debt and reserves management policies.

3. The established in Greece branches of Investment Services Firms from Member States or from third countries are subject to the supervision of the Capital Market Commission. As for the supervision of the established in Greece branches of credit institutions from Member States or from third countries which provide investment services, the provisions of article 18, paragraph 1b of law 2076/1992 and of the Act of the Governor of the Bank of Greece 2054/1992 (GG 49 A) apply.

4. The responsible competent authorities for the supervision of credit institutions may decide to include in the provisions of the present law all or part of the exempted institutions.

5. The provisions of the present law, with respect to the capital requirements for position risk and for the counterparty-settlement risks, to which institutions are exposed, are valid only when at least one of the following conditions holds:

a) The trading book business of such institutions normally exceeds, according to the opinion of the Bank of Greece or of the Capital Market Commission, five percent (5%) of their total business.

b) Their total trading book positions in current market prices nomally exceeds, according to the opinion of the Bank of Greece or of the Capital Market Commission, the drachmas equivalent of ECU fifteen (15) million.

c) Their trading book business even only temporarily exceeds six percent (6%) of their total business and their total trading book positions in current market prices, even only temporarily exceeds the drachmas equivalent of ECU twenty (20) million.

When none of the above conditions holds, institutions are subject to the provisions of the Act of the Governor of the Bank of Greece 2054/1992, applied accordingly for Investment Services Firms, in a way to be defined upon decision of the Capital Market Commission.

6. In order to calculate the proportion of trading book business of institutions with respect to their total business in points (a) and (c) of the above paragraph 5, the Bank of Greece and the Capital Market Commission may refer: either to the on- and off-balance sheet items or to the profit and loss account or to the own funds of the institution in question or to a combination of those measurements.

In the daily assessment of on- and off-balance sheet items, financial instruments are evaluated, either according to their current market prices, when traded in a regulated market, or else according to assessment methods specified by the competent authorities. Long and short positions shall be summed up regardless of their signs.

7. The provisions of the present article do not affect the provisions of the legislation on the transfer of units of mutual funds.

CHAPTER B

RULES AND OBLIGATIONS OF INVESTMENT SERVICES FIRMS

Article 4

Provision of Investment Services

1. The unconditional provision of investment services on a professional basis is only permitted to

Investment Services Firms, according to the provisions of the present law.

2. The Capital Market Commission may impose penalties up to 50 million drachmas to natural persons or legal entities who violate the provisions of paragraph 1. In the event of serious relapses, the Capital Market Commission may impose penalties up to 70 million drachmas. The level of the above fees may be readjusted upon decision of the Minister of National Economy, following the recommendation of the Capital Market Commission.

Article 5

Competent Authority - Professional Secrecy

1. Subject to the provisions of article 22, regarding the supervision of credit institutions, and to the specialised provisions of securities exchange legislation, regarding the Athens Stock Exchange, its members and securities exchange transactions, the Capital Market Commission is competent for the suprevision of Investment Services Firms residing in Greece, including those who are established or provide services abroad, as well as for the Investment Services Firms who have their head office abroad but operate in Greece, with regard to the provisions aspiring to investors' protection and to the protection of the general interest and with regard to the Rules of Conduct, according to the respective legal provisions. Supervision includes in specific the solvency, the liquidity, the capital adequacy and the risk measurement of Investment Services Firms, their compliance with the Rules of Conduct and with the rules on qualifying holdings. The Capital Market Commission is also competent for the acceptance and the notifications regarding Investment Services Firms, except for credit institutions.

2. The Bank of Greece and the Capital Market Commission cooperate as for the efficient supervision of Investment Services Firms, as well as in notification matters regarding the provision of investment services, with or without establishment in Greece, from Investment Services Firms and credit institutions residing in other Member States. The Bank of Greece and the Capital Market Commission help one another in the accomplishment of their tasks, according to the provisions of a special Protocol of Cooperation which will be drawn up within two (2) months from the enforcement of this law.

3. The Capital Market Commission and the Bank of Greece cooperate also with the competent authorities of other Member States for the supervision of Investment Services Firms who reside in Greece and operate in one or more Member States of the European Union or vice versa. This cooperation precludes, among other things: a) the exchange, following a written request, of information regarding the operation, the capital structure and the assets of Investment Services Firms, which may facilitate the supervision and the monitoring of these firms and especially the control of their compliance with the provisions of paragraphs 1,2 and 3 of article 32 of the present law and b) the collection of information necessary for the control of compliance of Investment Services Firms with the regulations of the law.

4. The Capital Market Commission and the Bank of Greece, depending on the case, inform the competent authorities of the home Member State of the sanctions and measures in general which are imposed on the Investment Services Firms who reside in another Member State and operate in Greece. Furthermore, they confer to the Council and to the Commission of the European Union information related to the methods used for the appraisal of the qualifying items of point 25 of article 2 of this law, especially regarding the appraisal of the solvency of the securities and of the issuer.

5. The competent authorities of the home Member State of Investment Services Firms who have established a branch in Greece, may proceed themselves or through authorised representatives to an on-the-spot verification and collection of information regarding the operation and ownership of Investment Services Firms, as well as the methods used for the evaluation of the qualifying assets. The Capital Market Commission may itself request from the competent authorities of the home Member State the above mentioned on-the-spot verification and collection of information. In such a case the Capital Market Commission asks the competent authorities of the home Member State either to carry out the verification themselves, or to authorise the Capital Market Commission to carry out the verification itself or through intermediaries instructed by the Capital Market Commission. The regulations of the present article do not affect the right of the Capital Market Commission to carry out on-the-spot verification of branches of investment companies which are established within its territory but have their head office in another Member State or of Investment Services Firms who operate under the freedom to provide services, within the framework of activities provided to them from the present provisions.

6. In the event of Investment Services Firms who have their head office in Greece but operate through a branch in other Member States or operate

under the freedom to provide services, the Capital Market Commission, after informing the competent authorities of the other Member States, may itself proceed to the on-the-spot verification and collection of the information, defined under paragraph 5 of the present article.

7. Any person who works or has worked for the Bank of Greece, the Capital Market Commission, the Athens Stock Exchange or any other authority, within the context of implementation of the provisions regarding the supervision of Investment Services Firms and the capital market legislation in general, as well as the auditors and experts instructed by the competent authorities, are bound to professional secrecy for any confidential information which refers to an Investment Services Firm and comes to their knowledge during the course of their duties or is notified to them by other authorities.

8. The confidential information of the previous paragraph which comes to the knowledge of the persons mentioned under the previous paragraph may only be divulged to other persons or authorities in summarised or aggregated form, so that individual Investment Services Firms cannot be identified.

9. The Greek competent authorities responsible for the supervision of Investment Services Firms may collaborate closely as for the exchange of confidential information, regading Investment Services Firms, with the purpose of effecting and facilitating the provided by law controls on Investment Services Firms and their efficient supervision, subject to professional secrecy as to this information.

The Bank of Greece, the Capital Market Commission and the Athens Stock Exchange may collaborate closely with the competent authorities of other Member States as for the exchange of information, within the context of the present law.

10. The Bank of Greece, the Capital Market Commission, the Athens Stock Exchange and all the other competent authorities receiving information on Investment Services Firms, according to the provisions regarding supervision, as well as within the context of collaboration with the competent authorities of other Member States, may use this information only in the course of their supervisory duties, including the cases where they effect the control:

a. to check that the conditions governing the taking up of the business of Investment Services Firms are met and to facilitate the monitoring, either on a non-consolidated or on a consolidated basis, of the conduct of that business, especially with regard to the capital adequacy requirements of Investment Services Firms provided by the provisions of the present law, the administrative and accounting procedures and internal control mechanisms.

b. to impose sanctions provided by the provisions of the present law.

11. The provisions on professional secrecy do not apply when criminal sanctions must be imposed, including the appearance before court resulting from criminal sanction, or when criminal acts are reported to the competent prosecuting and judicial authorities, or when information is exchanged between the supervisory authorities and the competent authorities in general, according to the provisions of the law.

12. In the event of insolvency or liquidation of an Investment Services Firm, the confidential information not referring to third parties may be disclosed in criminal cases.

13. Any exchange of information on Investment Services Firms between Greek competent authorities and competent authorities of third countries non members of the European Union, within the context of collaboration between Greece and that country, may be carried out only when provision has been taken for the preservation of professional secrecy from the competent authorities of this country.

14. The exchange of information is allowed between the Bank of Greece, the Capital Market Commission, the Athens Stock Exchange and the Minister of National Economy on one hand, during the course of their duties for the supervision and the monitoring in general of Investment Services Firms, and the Minister of Commerce on the other hand, during the course of the duties for the supervision of insurance companies and joint stock companies. The exchange of information is also allowed between the above authorities and the particular fact finding boards of the Parliament during the course of their duties, according to Rules of the Parliament. The competent authorities for the supervision of Investment Services Firms do not disclose to the Minister of Commerce or to the fact finding boards of the Parliament information collected during the on-the-spot verifications, mentioned under paragraphs 5 and 6 of the present article, without the written consent of the competent authorities of the Member States where the on-the-spot verification was carried out.

The exchange of information is also allowed between the Bank of Greece, the Capital Market Commission, the Athens Stock Exchange and the remaining competent authorities supervising Investment Services Firms and securities exchanges on one hand, and the bodies carrying out the procedures of liquidation and bankruptcy of

Investment Services Firms, on the other, and the persons burdened with the monitoring of the accounts of Investment Services Firms and other financial institutions.

15. The Capital Market Commission and the Athens Stock Exchange confer to the the Bank of Greece the necessary information for the operation of the Bank as a monetary authority. The Bank of Greece may decide to determine the data and information that have to be submitted by the Investment Services Firms, in order to be able to carry out effectively the monetary and exchange policy, as well as the procedure for the provision of these data and information and any other relative issue, data and information it deems necessary for the facilitation of its duties as a monetary authority. The Bank of Greece is bound to professional secrecy for all the information and data received by it, according to the provisions of the present paragraph.

16. The Bank of Greece, the Capital Market Commission, the Athens Stock Exchange and any other competent authority may disclose information on Investment Services Firms to the Central Securities Depository S.A, to netting and clearing houses and to other similar organisations, recognised by the existing legislation, who will provide netting or clearing services or who will settle transactions in a regulated market, provided that this information is important for the smooth operation of these organisations. The employees of the Central Securities Depository S.A and of the above offices and organisations are bound to professional secrecy as to the information received. Information on breaches of law by Investment Services Firms who are established in another Member State and operate in Greece are communicated from the competent authorities of the home Member State to the Greek competent authorities but are not disclosed to the above organisations without prior consent of the competent authorities providing the information.

17. Any exchange of information between the competent authorities, which is anticipated in the present law and refers to Investment Services Firms is bound to professional secrecy.

Article 6

Prohibition Of Investment Services Firms from Using Cash and Titles of Their Clients

1. Investment Services Firms, except for credit institutions, are not allowed to use for their own account cash of their investors-clients that have come under their possession.

2. Investment Services Firms are not allowed to use for their own account securities of their investors-clients that have come under their possession.

3. In the event of an Investment Services Firm going bankrupt, the securities and cash of its clients are being separated from its assets and are handed over to their owners, unless they are encumbered with a collateral security, whereby they are being delivered to the pledgee. Prior to the separation, the Capital Market Commission draws up a table of the securities and cash of the Investment Services Firm which belong to its clients and discloses this table to the beneficiaries, to the custodian in bankruptcy and to any other party who has nominal interest.

Article 7

Rules of Conduct

1. By resolution of the Ministry of National Economy, a committee is constituted out of the representatives of the competent authorities, the object of which will be the drawing up of Rules of Conduct including prudential rules regulating the conduct of Investment Services Firms and of their staff. In the implementation of these rules it is taken into account the adequate or no knowledge of the investment service itself due to the professional nature of the person for whom the service, either core or non-core, is provided.

The Rules of Conduct become valid by decision of the Minister of National Economy and are enforced within one month from their publication on the Government Gazette.

2. The Rules of Conduct may be differentiated between credit institutions, joint stock brokerage companies and other Investment Services Firms, consistent to the services provided by them as well as to their organisation and supervision.

3. The Rules of Conduct will consist of principles regulating the business of Investment Services Firms, as well as the conduct and trading obligations of the persons employed by them. These principles shall ensure that Investment Services Firms:

a) Take all appropriate measures and conduct their business activities in the best interests of their clients and the integrity of the market.

b) Employ effectively not only the resources but also the procedures and methods that are necessary for the proper performance of their business activities.

c) Inform themselves of the financial situation, investment experience and objectives of their clients, as regards the services requested, in order to provide the appropriate investment advice.

d) Disclose to their clients all relevant and useful information in the dealings with them.

e) Prevent conflicts of interests between themselves and their clients.

f) Ensure equal treatment of their clients.

g) Comply with all regulatory requirements applicable to the conduct of their business activities so as to promote the best interests of their clients and the integrity of the market.

Article 8

Maintenance and Reporting of Market Data

1. Subject to the provisions of the legislation on the transparency of transactions in the Athens Stock Exchange Investment Services Firms providing services in Greece, should keep at the disposal of the Capital Market Commission for at least five (5) years the relevant data on transactions related to provision of core or non-core investment services which they have carried out in instruments dealt in on a regulated market, regardless of whether such transactions were carried out on a regulated market or not.

2. Investment Services Firms report in detail the orders they accept and the transactions they conclude with regard to the investment services they provide.

3. Subject to the provisions of articles 27 and 28 of law 1806/1988 (GG 207 A) on the members of the Athens Stock Exchange, which continue to be valid, are defined, by decisions of the Governor of the Bank of Greece or of the Capital Market Commission, the following data with regard to credit institutions and Investment Services Firms, respectively:

a) the books and particulars the Investment Services Firms must keep and publish, with regard to the investment services they provide,

b) the content of the mandatory entries in these books and the content of the particulars they publish,

c) the information that the credit institutions and the ASE members have to report to the departments of the securities exchange, with regard to the transactions of article 15, paragraph 7 of law 3632/1928, as well as to the procedure and the exact time of delivery,

d) any other related issue and necessary detail.

4. The elements of the previous paragraph must include at least the type and items of the securities or contract traded, as well as the time the transaction was concluded.

5. In article 27 of law 1806/88 (GG 207 A), paragraph 3 is added, as follows:

'3. Subject to paragraph 1, are defined, by decision of the Capital Market Commission, the particulars and information submitted to it, to the Athens Stock Exchange or to any other supervisory authority, as defined by this decision, regularly or upon specific request, by the brokerage companies with regard to the activities they carry out in Greece or abroad and their financial condition. By a similar decision, are defined the particulars and information submitted to the Capital Market Commission, to the Athens Stock Exchange, or to any other supervisory authority, as defined by this decision, regularly or upon specific request, by the Investment Services Firms which are established outside Greece and have branches or provide services in Greece, with regard to the activities they carry out in Greece and their financial condition.

6. The second clause of article 28 of law 1806/88 (GG 207 A) is modified as follows:

'The Daily Official List compulsorily states: a) the average price, the highest and lowest daily price, the opening and closing price, as well as the items of the securities traded and b) on a separate list the prices and items of securities for which a bid or offer was put into the system, without concluding a transaction'.

7. Subject to the provisions of the legislation on credit institutions, the existing provisions on the publication of the financial statements of the joint stock brokerage companies, their monitoring and reporting of particulars and information apply to all Investment Services Firms operating in Greece. Credit institutions bear a responsibility against the Bank of Greece to provide particulars and information on the investment services they provide.

Article 9

Capital Adequacy

The capital adequacy terms and conditions, as defined by the provisions of articles 32 through 38, as well as the terms and conditions for granting operating license to Investment Services Firms have

to be respected throughout the operation of the Investment Services Firms. The competent authorities see to the compliance of those terms and, in case of their violation, impose the anticipated by the law sanctions.

Article 10

Compensation Funds

The Investment Services Firms are obliged to notify their investors-clients, before concluding any contract with them, of the existence or not of any compensation funds, of the level of those funds, of the degree of cover they provide, as well as of any equivalent protection to investors.

Article 11

Advertising

Investment Services Firms legally operating in Greece may use all available means of communication to advertise the services they provide, in accordance with the rules existing in Greece and regulating the form and content of these advertisments.

CHAPTER C

THE RIGHT OF ESTABLISHMENT AND THE FREEDOM TO PROVIDE SERVICES

Article 12

Right of Establishement of a Greek Investment Services Firm outside Greece

1. Any Investment Services Firm which is established in Greece, has been authorised by the Capital Market Commission and wishes to establish a branch outside Greece, notifies its intention to the Capital Market Commission, mentioning:

a) the Member State within the territory of which it plans to establish a branch,

b) the address of that branch,

c) the names of those responsible for the management of the branch, and

d) a programme of operations setting out, inter alia, the types of business envisaged and the organizational structure of the branch.

2. In the case of a branch which is to be established in a Member-State of the European Union, the Capital Market Commission, provided it considers to be adequate the administrative structure or the financial situation of the Investment Services Firm, within three months of receiving all the information referred to under paragraph 1, communicates that information and particulars, reported to it by the Investment Services Firm according to paragraph 1, to the competent authorities of the host Member State, as well as the details on the existing in Greece compensation scheme intended to protect the branch's investors and clients, along with the types of transactions concluded by the branch and its operating conditions. The above notification of the Capital Market Commission is communicated to the Investment Services Firm within the above mentioned deadline.

3. If the Capital Market Commission, according to the received data from the Investment Services Firm and after having considered the general organisation, the financial position and the technological infrastructure of the Investment Services Firm, feels that the establishment of a branch would endanger investors' interests, refuses the notification of particulars of paragraph 1 to the competent authorities of the host Member-State, by communicating to the Investment Services Firm concerned the reasons of the refusal, within three (3) months from the date of submission of the notification of paragraph 1.

4. In the event of a change in any of the particulars b to d of the notification of paragraph 1, the Investment Services Firm notifies of its intention for these changes, both the Capital Market Commission and the competent authority of the host Member State at least one (1) month before implementing these changes, so that the above mentioned competent authorities be able to estimate the consequences of these changes before taking the decision, according to paragraphs 2 and 3.

5. The Capital Market Commission communicates to the competent authorities of the Member State where an Investment Services Firm operates, any change to the compensation schemes for the investors.

6. In the case of a branch which is to be established in a third country, the Capital Market Commission may refuse its establishment to this country, if, according to the received data from the Investment Services Firm and after having considered the general organisation, the financial position and the technological infrastructure of the Investment Services Firm, feels that the establishment of a branch would endanger investors' interests.

7. Any Investment Services Firm which is established in Greece and wishes to acquire a qualifying holding in an Investment Services Firm operating outside Greece, communicates its intention to the Capital Market Commission.

Article 13

Freedom of Establishment in Greece through Branch

1. Any Investment Services Firm which is established in another Member-State of the European Union and is supervised by the competent authorities of that State, according to the anticipated rules of the Directive 93/22 on investment services in the securities field, may establish a branch and operate in Greece, providing core and non-core investment services, for which it has been authorised by the competent authorities of its home Member State, without having been authorised by the Capital Market Commission, after two (2) months from the communication to the Capital Market Commission of the notification of the competent authorities of the home Member State, by which are mentioned:

a) the programme of activities which intends to carry out the Investment Services Firm in Greece through the establishment of the branch,

b) the organisational structure of the branch,

c) the address of the branch,

d) the names of those responsible for the management of the branch, and

e) the compansation schemes available to the branch's clients and investors, as well as the types of transactions they cover and their operating terms.

2. The Investment Services Firm which is established in Greece according to paragraph 1 is obliged to:

a) Comply with the rules of general interest that apply to the Greek capital market and to the activities under case a of paragraph 1 which are being carried out in Greece, including the rules of conduct, as valid in the Greek law and in the Greek regulated markets and are notified to the Investment Services Firm from the Capital Market Commission.

b) Draw up and publish the annual financial statements for the services it provides in Greece, according to the provisions for joint stock companies. These statements are audited by a chartered accountant.

c) Submit regularly and upon specific request the particulars which are determined and asked by the Capital Market Commission or by other supervisory bodies, as to the activities carried out in Greece and to its financial position, according to the anticipated provisions for the Greek Investment Services Firms.

d) Communicate to the Bank of Greece the information also provided by Greek Investment Services Firms to ensure compliance with the monetary policy and its monitoring.

3. Changes in the content of the announcement and in the activities of paragraph 1 are communicated to the Capital Market Commission by the Investment Services Firm concerned. The Capital Market Commission informs the Investment Services Firm, especially in the case of changes of the previous clause, of any new necessary detail and particular as to the content of the notifications to the Investment Services Firm, according to paragraph 2 of the present article.

Article 14

Provision of Services of a Greek Investment Services Firm outside Greece

1. Any Investment Services Firm which is established in Greece, has been authorised by the Capital Market Commission and wishes to provide services for the first time outside Greece, without establishing a branch, notifies its intention to the Capital Market Commission, by announcing the Member State in which it intends to operate, as well as a a programme of operations with special references to the investment services it intends to provide.

2. When investment services are provided according to the previous paragraph in a Member-State of the European Union, the Capital Market Commission, within one month from receiving the above information, forwards it to the competent authorities of the host Member State. The Investment Services Firm may then start to provide its investment services in the host Member-State.

3. When investment services are provided according to paragraph 1 of the present article in a third country, the Capital Market Commission may refuse the provision of services therein, if it feels that the carrying out of activities in that country endangers investors' intersts.

Article 15

Freedom to Provide Investment Services in Greece

1. Any Investment Services Firm which is established in another Member-State of the European Union and is supervised by the competent authorities of that State, according to the anticipated rules in the Directive 93/22 on investment services in the securities field, may provide in Greece, core or non-core investment services, for which it has been authorised by the competent authorities of its home Member State, without having established a branch and without having been authorised by the Capital Market Commission, after submitting to the Capital Market Commission a notification by the competent authorities of the home Member-State, by which is announced the programme of operations that the Investment Services Firm wishes to carry out in Greece.

2. The Capital Market Commission notifies the Investment Services Firm of the rules of general interest that apply to the Greek capital market and to the activities under case a of paragraph 1 of the present article which are being carried out in Greece, including the rules of conduct, as valid in the Greek law and in the Greek regulated markets.

3. Investment Services Firms, operating in Greece under the freedom to provide services, must communicate to the Capital Market Commission all the necessary particulars and information to ensure their sufficient monitoring by the Committee.

4. Changes in the content of the notification and in the programme of operations of paragraph 1 are communicated from the Investment Services Firm concerned to the Capital Market Commission and to the competent authority of the home Member-State. The Capital Market Commission informs the Investment Services Firm, especially in the case of changes of the previous clause, of any new necessary detail and particular as to the content of the notifications to the Investment Services Firm, according to paragraph 2.

Article 16

Right of Establishment and Freedom to Provide Investment Services by a Credit Institution

1. If the established in Greece Investment Services Firm, that wishes to establish or to provide investment services in another State, is a credit institution, the notifications anticipated in articles 12 and 14 are effected by the Bank of Greece, which takes up the relevant decisions.

2. If the established outside Greece Investment Services Firm, that wishes to establish or to provide investment services in Greece, is a credit institution, the notifications anticipated in articles 13 and 15 are communicated to the Bank of Greece, which takes up the relevant decisions and proceeds to the anticipated designations and announcements.

Article 17

Obligations of Established in Greece Investment Services Firms

1. In case an Investment Services Firm, which has been authorised in another Member-State and provides investment services in Greece either by the establishment of a branch or under the freedom to provide services, violates the regulations of the law and the rules of general interest applicable in Greece, as well as the general Rules of Conduct of Investment Services Firms, the Capital Market Commission may impose to the Investment Services Firm the anticipated by the law sanctions for these violations, with the possibility, if deemed necessary, to forbid the Investment Services Firm to carry out its activities in Greece, either temporarily or permanently.

2. The Capital Market Commission announces to the Investment Services Firms of the above paragraph 1 the detected violations and asks from them to comply with the existing provisions, as well as to stop the illegal conduct.

3. If the Investment Services Firm does not comply with the designations of the Capital Market Commission, the latter informs the competent authorities of the home Member-State of the Investment Services Firm to take the necessary measures. If, despite the measures taken by the competent authorities of the home Member-State or due to the inefficiency of these measures or to their non enforcement in the home Member State, the Investment Services Firm continues to violate the regulations of the law and the general rules applicable in Greece, the Capital Market Commission, after informing the competent authorities of the home Member-State, may impose to the Investment Services Firm the anticipated by the Greek law sanctions for these violations.

4. In emergency cases, when the delay in taking up the measures implies an immediate and unavoidable risk for the investors' interests and for the orderly operation of the capital market, the Capital Market Commission may itself take up

against the Investment Services Firms the anticipated by the law measures which are temporary and aim to avoid pending risks. The Capital Market Commission immediately informs the Commission of the European Union and the competent authorities of the home Member-State of the measures taken and their justification.

5. In the case of Investment Services Firms which are credit institutions, the acts and sanctions anticipated by the Capital Market Commission in the present article are carried out and are imposed by the Bank of Greece.

6. At the end of each year the Capital Market Commission announces to the Commission of the European Union the number and grounds under which the authorisation of an established in Greece Investment Services Firm or its establishment in another Member-State was rejected.

7. The Capital Market Commission or the Bank of Greece inform the competent authorities of the home Member-State of an Investment Services Firm of the measures and sanctions taken against the Investment Services Firm which is established in another Member-State.

8. The Investment Services Firms who are established in third countries and lawfully operate in Greece, are obliged to comply with all the anticipated by the Greek legislation provisions with regard to the operation, organisation and the general obligations of the Greek Investment Services Firms. In cases of violation of the legislation, the Capital Market Commission imposes to the Investment Services Firms of the present paragraph all the sanctions anticipated by the Greek legislation for Investment Services Firms established in Greece.

Article 18

Membership in the ASE

1. Investment Services Firms coming from Member States of the European Union who heve been legally established in Greece, may obtain membership in the ASE, provided they are authorised by their home Member State to provide the investment services listed under clauses a (ii) and b of paragraph1 of article 2 of the present law and provided:

a) they participate in a compensation scheme, which covers securities exchange principals, in case Investment Services Firms fail to meet their obligations towards them, arising from their agency contract, or

b) they have been insured in an insurance company authorised in a Member State of the European Union against their failure to comply with their obligations, arising from their agency contract, towards their securities exchange principals, so that the investors can enjoy a level of protection equivalent to the protection ensured by the provisions of the law regarding the ASE Members Guarantee Fund.

2. As ASE members are allowed to carry out the anticipated by the Greek legislation for ASE members trades and transactions, for which they have been authorised by the competent authority of the home Member State and for which this authority has proceeded to the anticipated by articles 13 and 16 notification to the Capital Market Commission or to the Bank of Greece.

3. Investment Services Firms who are established outside Greece and obtain membership in the ASE, are subject to the provisions of the legislation regarding ASE members and to the rules of conduct governing the members, the transactions in the ASE, the conditions and terms of transactions on securities, the obligations of ASE members towards the supervising authorities, as to the transparency of transactions, the fees and subscriptions of ASE members, as well as the clearing of trades.

4. The provisions of article 23 of law 1806/1988 (GG 207 A), as modified and valid, with the exception of case a of paragraph 1, apply to foreign Investment Services Firms which are established and operate in Greece, according to the provisions of articles 13 and 16 of the present law, provided these Firms are members of the ASE.

5. Until 31 December 1999 or a previous date which will be defined by a decision of the Minister of National Economy, following the proposal of the Bank of Greece, of the Board of Directors of the Capital Market Commission and of the ASE, credit institutions, either Greek or foreign, are not allowed to be members of the Athens Stock Exchange.

6. For securities exchange transactions, the members of the Athens Stock Exchange appoint their representatives, who are called securities exchange representatives. The provisions of article 6 paragraphs 2-3 and 7-11 of law 1806/1988 (GG 207 A) apply to all the members of the Athens Stock Exchange.

Article 19

List of Regulated Markets

The Capital Market Commission draws up annually a list of Securities exchanges and other regulated markets operating in Greece, in which securities and other securities exchange titles are traded. The above list and any modification, as well as the rules governing the organisation and operation of those markets and any modification, is communicated from the Capital Market Commission to the competent authorities of the Member States and to the Commission of the European Union.

Article 20

Prohibition from Carrying Out Transactions in the OTC Market

1. The provisions of the legislation regarding the prohibition from carrying out transactions in the OTC market apply to securities listed on the Athens Stock Exchange.

2. Investment Services Firms which are authorised by their home Member State to trade in the OTC market securities listed on regulated markets, which operate lawfully in Greece and provide in Greece for sale or purchase securities listed on a regulated market of another Member State of the European Union, are obliged:

a) to disclose to the investors in the Greek language: i) the last prospectus published for these securities, and ii) the last two interim accounts published for the companies issuing these securities, and

b) to announce their intention to offer for sale or purchase the above mentioned securities at least ten (10) working days before the commencement date of the bid, having submitted within the same time limit the prospectus and the interim accounts of case a.

3. By decision of the Capital Market Commission they may be modified, specified or complemented the conditions for carrying out securities' transactions in the OTC market, according to the above paragraph 2.

CHAPTER D

CREDIT INSTITUTIONS

Article 21

Provision of Investment Services

1. The credit institutions which are established in Greece may provide either in Greece or abroad, the services of article 2, particulars 1 and 2 and operate in general as Investment Services Firms in the sense of article 2, particular 3, provided they have been authorised by the Bank of Greece, according to the provisions of article 6 of law 2076/1992. Subject to paragraph 5 of article 18 of the present law, credit institutions may also become members of a regulated market, provided that the Bank of Greece grants the neccessary licence.

2. A credit institution is authorised to provide investment services, provided: a) it possesses the appropriate organisation and structure, the necessary technological and financial means, and b) the persons managing these activities are reliable and experienced, demonstrating professionalism and integrity. The Bank of Greece especially examines whether the credit institution possesses:

a) rational administrative, technological and financial organisation, appropriate audit and security mechanisms in the filed of electronic data processing, effective internal control mechanisms of the transactions carried out by the entities of the credit institution and a book keeping system of the effected trades, so that the financial data of the credit institution are kept for aufiting puproses for at least five years,

b) organisation and mechanisms ensuring the protection of the securities of the clients, and

c) structure and organisation minimising the damage to investors' interests from any conflict of interests between the clients and the credit institution or between the clients themselves.

3. Any credit institution lawfully operating in Greece must inform, at least once a month, its clients, whose portfolio it manages, as to the securities it trades, provided acts of management have been set up. It must also inform the Bank of Greece, regardless of the existence of acts of management, as to its total obligations towards its clients, with regard to the assets it safekeeps or manages. By act of the Governor of the Bank of Greece may be defined: a) the administrative and accounting rules and the audit and security mechanisms that must be respected by the credit institution which safekeeps as a custodian the securities of its clients or which manages their portfolio, so that its clients' interests are protected and the credit institution is prevented from using the exchange securities of its clients for its own account, b) the data that must be sent by the credit institution to each one of its clients, whose securities safekeeps or whose portfolio manages, for information purposes, c) the data that must be submitted by the credit institution to the Bank of Greece regarding the exchange securities and any kind of property the institution safekeeps as a

custodian for its clients' account, and manages as portfolio manager, as well as the procedure and the exact way of delivery, d) any other related issue or necessary detail with regard to the activities carried out by the custodian and the portfolio manager and to the compliance with the rules of the present article.

Article 22

Supervision

As for the supervision of credit institutions lawfully operating in Greece and providing the services of article 2, particulars 1 and 2, and generally operating as Investment Services Firms in the sense of article 2, particular 3, the provisions of law 2076/1992 and of the remaining banking legislation apply.

CHAPTER E
JOINT STOCK BROKERAGE COMPANIES

Article 23

1. The brokerage company is a joint stock company providing investment services with the main purpose of carrying out securities exchange transactions. The joint stock brokerage company may also offer investment advice on investments in securities exchange instruments, safekeep as custodian the securities of its clients, manage the portfolio of its clients consisting of cash, securities exchange instruments and units of collective investment undertakings and deposit cash of its clients in bank accounts on their behalf, as well as provide any core or non core investment service in the sense of article 2, paragraphs 1 and 2 of the present law. The brokerage company must safekeep the securities of its clients separately from its own securities. Moreover, it is obliged to inform at least once a month its clients, whose portfolio manages, of the securities' trades, provided that management acts have been set up, as well as the securities exchange, regardless of the existence of management acts, as to its obligations towards its clients and as to the assets it safekeeps or manages. The securities kept for their own account from brokerage companies must be traded in regulated markets. By decision of the Capital Market Commission, following the proposal of the Athens Stock Exchange S.A Board of Directors, may be defined: a) the administrative and accounting rules and the audit and security mechanisms that must be respected by the joint stock brokerage company which safekeeps as a custodian the securities of its clients, or which manages their portfolio, so that its clients' interests are protected and the brokerage company is prevented from using the exchange securities of its clients for its own account, b) the data that must be sent by the brokerage company to each one of its clients, whose securities safekeeps or whose portfolio manages, for information purposes, c) the data that must be submitted by the brokerage company to the securities exchange or to the supervising authorities regarding exchange securities and any kind of property the company safekeeps as a custodian for its clients' account, and manages as portfolio manager, as well as the procedure and the exact way of delivery, d) any other related issue or necessary detail with regard to the activities carried out by the custodian and the portfolio manager and to the compliance with the rules of the present article.

Paragraph 1 of article 3 of law 1806/1988 (GG 207 A), as replaced by paragraph 2 of article 13 of law 2324/1995 (GG 146 a), is abolished.

2. Paragraph 3 of article 3 of law 1806/1988 (GG 207 A), as replaced by paragraph 1 of article 15 of law 2324/1995 (GG 146 a), is replaced as follows:

'3. The shares of the joint stock brokerage company are registered. Their transfer for whatever legal cause, with the exception of hereditary succession or parental granting, is invalid without the permission of the Capital Market Commission, when the acquired shares by the transfer represent a percentage equal to or greater than 10%, 20%, 33%, 50% or 66% of the share capital of the company, or of the total shares with voting rights, or when the company becomes subsidiary of the acquirer.

The Capital Market Commission approves the transfer, after having evaluated the suitability of the acquirer as to the safe management of the company. The Capital Market Commission may decide to specify the criteria for granting the above authorisation.

Any transfer of shares of a joint stock brokerage company for which no authorisation is required, is notified to the Capital Market Commission, which is entitled to ask for the shareholders as much information as deems necessary, if it feels that these shareholders may directly or indirectly exert an influence on the management of the company.

Legal persons, except for credit institutions and insurance companies, are not allowed to acquire shares of a joint stock brokerage company in percentages greater that fourty percent (40%) of its share capital. Exception is made for the shares of brokerage companies that have been listed on the main market of the Athens Stock Exchange.

The above percentage cannot be exceeded by affiliated companies or by companies under the same holding company. Legal persons that hold shares in existing joint stock brokerage companies in a percentage greater than the above mentioned

are obliged to sell the exceeding percentage of shares until 31 December 1995 at the latest. Legal persons violating the obligations arising from the provisions of the three previous clauses are subject, by decision of the Capital Market Commission, to a suspension of their voting rights in General Assemblies.

If the acquisition of shares according to clause 2 is effected by an Investment Services Firm, authorised in another Member State, or a parent company of an Investment Services Firm which is authorised in another Member State, or a person controlling an Investment Services Firm which is authorised in another Member State, the Capital Market Commission asks for the opinion of the competent authority of the home Member State of the Investment Services Firm, before granting the authorisation.'

3. Paragraph 8 of article 3 of law 1806/1988 (GG 207 A), which was complemented by paragraph 2 of article 15 of law 2324/1995 (GG 146 A), is replaced as follows:

'Any shareholder of a joint stock brokerage company, who wishes to transfer its shares so that through the transfer his participation in the share capital of the company corresponds to more than 10%, 20%, 33%, 50% or 66% of its share capital, or of its total shares with voting rights, or if the company ceases to be a subsidiary of the transferor, is obliged to inform the Capital Market Commission at least one (1) month before the shares' transfer.'

4. In article 3 of law 1806/1988 (GG 207 A) paragraphs 9 and 10 are added as follows:

'9. The joint stock brokerage companies communicate to the Capital Market Commission any transfer of shares, that falls under the cases of clause 2 of paragraph 3 and of paragraph 8 of the present article. Similarly, until 31 January of each year, they list and announce the shareholders with a qualifying holding during the previous year, as well as the percentage of these holdings and any variations during the year.

10. In case of violations of the provisions of paragraphs 3-9 the Capital Market Commission may impose to the violators a fine between 100,000 and 50 million drachmas. The fine of the previous clause may be readjusted by Ministerial decision, following the recommendation of the Capital Market Commission.'

Article 24

1. Paragraph 1 of article 4 of law 1806/1988, as modified by paragraph 3 of article 15 of law 2324/1995 (GG 146 A), is modified as follows:

'1. In order for a joint stock brokerage company to be established, according to the provisions for joint stock companies, its share capital must be deposited in a special account of a Bank legally operating in Greece, and an authorisation must be granted by the Capital Market Commission. The authorisation will list the core and non-core services that the company will be entitled to provide. In order to grant the authorisation, the Capital Market Commission examines the organisation and structure of the company, its technological and financial means, the reliability, the experience, the professionalism and the integrity of the persons managing the company, as well as the suitability of the shareholders with a qualifying holding, in order to ensure its efficient management.

In specific, the brokerage company must possess:

a) Rational administrative, technological and financial organisation, appropriate audit and security mechanisms in the field of electronic data processing, effective internal control mechanisms of the transactions carried out by the entities of the credit institution and a book keeping system of the effected trades, so that the financial data of the credit institution are kept for auditing puproses for at least five years,

b) Organisation and mechanisms ensuring the protection of the clients' securities and cash, and

c) Structure and organisation minimising the damage to investors' interests from any conflict of interests between the clients and the company, or between the clients themselves.

By decision of the Capital Market Commission the above criteria may be specified.

The application to the Capital Market Commission for the authorisation is accompanied by:

a) A full programme of the activities of the brokerage company, along with an analysis of the type of activities and of the organisational structure of the company, forecasts on the expected level of the financial data over the next two (2) fiscal years and communication of at least two reliable and trustworthy persons, who will run the activities of the company.

b) The Articles of Association of the company.

c) A copy of the criminal record, certificates verifying the solvency and the curriculum vitaes of the members of the Board of Directors, of the managers of the company and of the shareholders with qualifying holdings, as well as the answers of those persons to the questionnaire which is set up by decision of the Capital Market Commission.

In case the shareholders with qualifying holdings into the company hold in total a percentage of more than fifty one percent (51%) of the share capital of the company, the Capital Market Commission may require the submission of the above particulars from other founders as well, who are defined by its decision or on a case by case basis. If the shareholders with qualifying holdings in the brokerage company, that is to be authorised,

are legal entities, the Capital Market Commission audits the natural persons managing the above mentioned legal entities and their principal shareholders or partners, being able to ask the aforementioned particulars also for the management and the principal partners of all the legal entities, even down to the level of a natural person, provided it deems this necessary for assessing their suitability.

By its decision, the Capital Market Commission may complement or modify the particulars that have to be submitted by the brokerage company for obtaining authorisation.

In order to grant an authorisation to a brokerage company, which:

a) is a subsidiary of another Investment Services Firm or credit institution, authorised by another Member State, or

b) is controlled by the same natural or legal persons that control the Investment Services Firm or the credit institution, which is authorised by another Member State, the Capital Market Commission asks for the opinion of the competent authority of the home Member State of the Investment Services Firm, or the credit institution before granting the authorisation.'

2. In paragraph 2 of article 4 of law 1806/1988 (GG 207 A), clauses 2-4 are added as follows:

'In such case, along with the other documents, the annual financial accounts of the last three (3) fiscal years, audited by a chartered accountant, are submitted to the Capital Market Commission.

If the company operates during a period of less than three (3) years, the financial accounts of its years of operation, audited by chartered accountant, are submitted.

No authorisation is granted for the conversion of a joint stock company with a life span of less than two (2) years into a joint stock brokerage company.'

3. The first clause of paragraph 3 of article 4 of law 1806/1988 (GG 207 A) is replaced as follows:

'A foreign Investment Services Firm authorised in a third country may be established and operate in Greece, provided the Capital Market Commission grants an authorisation, after having assessed the particulars mentioned under paragraph 1.'

4. Paragraph 5 of article 4 of law 1806/1988 (GG 207 A) is replaced as follows:

'5. The Capital Market Commission recalls the authorisation of a joint stock brokerage company in the following cases: a) if it feels that such conditions prevail, that the application for granting authorisation would be rejected, b) if the joint stock brokerage company does not comply with the capital requirements of articles 32 to 38 inclusive of law 'Investment Services in the Securities Field, Capital Adequacy of Investment Services Firms and Credit Institutions and Shares' Dematerialisation', c) if the brokerage company has committed serious and repetitive offenses of the securities exchange legislation, which render its operation dangerous for the investors and for the orderly operation of the capital market and d) if the brokerage company makes no use of its authorisation within six (6) months from its granting, or ceases to provide investment services for at least six (6) months in sequence. Before recalling the authorisation, the Capital Market Commission communicates to the brokerage company the detected omissions or violations and notifies it of its decision to recall its licence, unless the brokerage company adopts the necessary measures within the specified deadline, which cannot be less than one (1) month from the communication of the decision. After the elapse of the deadline, the Capital Market Commission takes its final decision, after having considered the position of the brokerage company.'

5. In article 4 of law 1806/1988 (GG 207 A), as valid, paragraph 8 is added, as follows:

' As for the modification of the purpose of the joint stock brokerage company, or for the expansion of its scope of activities, it is required a modification to the operating licence the Capital Market Commission has granted to the brokerage company. The modification is approved according to the provisions of the first paragraph.'

Article 25

Paragraph 2 of article 71 of law 1969/1991 (GG 167 A) is modified as follows:

'2. Any ASE member wishing to establish a branch or any other office of representation in Greece, notifies its intention to the Athens Stock Exchange and to the Capital Market Commission, mentioning:

a) The address of this branch.

b) The person managing the branch or the office of representation. This person must comply with the conditions for the appointment of securities exchange assistants, according to paragraph 3 of article 19 of law 2324/1995 (GG 146 A), and moreover be a graduate of a domestic university or Polytechnic or hold an equivalent degree from abroad.

c) The programme of the activities of the branch in which will be defined, among others, the type of activities that will be carried out by the branch and its organisational structure. The branch must be sufficiently equipped, in order to ensure real time communication with the offices of the brokerage company in its home country and with the Athens Stock Exchange, and to make possible investors' constant and reliable information.

The Capital Market Commission, following the opinion of the Athens Stock Exchange Board of Directors, by a decision which is communicated to the brokerage company, forbids the establishment

of the branch or of the office of representation, if the above conditions are not fulfilled, or if it feels that the administrative organisation and financial condition of the company are not sufficient. The relative decision is taken within one (1) month from the submission of the notification.

A member of the Athens Stock Exchange may accept orders to carry out transactions by enterprises operating as its representatives, provided the member bears full responsibility for the activities of the latter. These enterprises must be managed by a person complying with the conditions for the appointment of securities exchange assistants, according to paragraph 3 of article 19 of law 2324/1995 (GG 146 A), and moreover be graduate of a domestic university or Polytechnic, or hold an equivalent degree from abroad. The Capital Market Commission grants the authorisation to these companies, after having examined the compliance with the above conditions. By decision of the Capital Market Commission, it may also be defined the content of the contract between the enterprises of this category and the members of the Athens Stock Exchange, in order to ensure full responsibility of the members, as well as to agree on the format of the report that has to be submitted from the member to the Capital Market Commission for the acceptance of its full responsibility.'

Article 26

1. Paragraph 3 of article 6 of law 1806/1988 (GG 207 A) is replaced as follows:

'3. The Capital Market Commission appoints as securities exchange representative:

a. Whoever has been a broker in the ASE, subject to paragraph 4 of article 14 of law 2324/1995 (GG 146 A).

b. Whoever succeeds in the special exams that are conducted, according to paragraph 2 of article 10, provided this person has the qualifications anticipated by paragraph 3 of the same article.

c. Nationals of Member States succeeding in the exams of the above clause b.

CHAPTER F
FIRMS PROVIDING PORTFOLIO MANAGEMENT SERVICES AND INTERVENING IN THE SALE AND PURCHASE OF SECURITIES

Article 27

1. Subject to the provisions of articles 13, 15 of paragraph 5 of article 18 of the present law, as well as to paragraph 4 of article 14 of law 2324/1995 (GG 146 A), only ASE members and credit institutions are allowed to provide on a professional basis the core investment services listed under particulars a(ii) and b of paragraph 1 of article 2, in accordance with the provisions of the law.

2. The core investment services listed under particulars a(ii) and c and d of paragraph 1 of article 2 of the present law, can also be provided on a professional basis by Investment Services Firms which are non ASE members. These Investment Services Firms, subject to the authorisation by the Capital Market Commission, according to the article 29 of the present law, may carry out activities which, for example, consist of: a) the creation of securities exchange activities and the general intervention between their investors' clients and the Investment Services Firms, which carry out bid and ask orders for securities or which trade securities for their own account, b) the posting of bid and ask orders for securities for their own account through ASE members and Investment Services Firms which trade securities for their own account. The realisation of transactions with the brokerage companies of article 23 of law 1806/1988 within the context of market making, falls under this category, c) the management of their clients' portfolio, and d) the provision of underwriting services, provided they comply with the existing provisions regarding underwriting issues.

3. The non core investment services of case 2 of article 2 of the present law may be provided by the Investment Services Firms of the above paragraphs 1 and 2.

4. The competent authorities authorise Investment Services Firms only if they provide at least one core investment service.

Article 28

1. The Investment Services Firms of article 27 paragraph 2 operate as joint stock companies. Their share capital must be at least equal to two hundred million (200,000,000) drachmas. As for the provision of underwriting services, the Investment Services Firm should have a share capital of at least one billion (1,000,000,000) drachmas. The above limits of share capital may be readjusted by decision of the Minister of National Economy, following the recommendation of the Capital Market Commission. As for the paying out of the capital, the provisions of paragraph 2 of article 3 of law 1806/1988 apply.

2. The shares of the Investment Services Firms of paragraph 2 of article 27 are registered. The provisions of paragraph 3,8 and 9 of article 3 of law 1806/1988 apply for their transfer.

3. In case of violation of the provisions of the previous paragraph, the Capital Market Commission may impose to violators fines ranging from 100,000 to 50,000,000 drachmas. The fine of the above clause may be readjusted by decision of

the Minister of National Economy, following the recommendation of the Capital Market Commission.

Article 29

1. For the issuance, according to the provisions on joint stock companies, of a licence to establish the Investment Services Firm of paragraph 2 of article 27 of the present law, the share capital of the firm has to be deposited in a special account of a bank, legally operating in Greece, and an authorisation has to be granted by the Capital Market Commission, in which the core and non core investment services that the firm is entitled to provide will be listed. The licence is granted according to the provisions of the first paragraph of article 4 of law 1806/1988.

2. The Investment Services Firms of paragraph 2 of article 27 of the present law must mention in each publication, announcement or advertisement the licence number granted to them by the Capital Market Commission.

3. The provisions of paragraphs 2 to 5 and 8 of article 4 and article 8 paragraph 1 of law 1806/1988 also apply to the Investment Services Firms of paragraph 2 of article 27.

Article 30

1. The firms of clause i of paragraph 1 of article 3 are allowed to operate only under the legal form of a joint stock company, whose shares are registered. Their share capital cannot be less than thirty million (30.000.000) drachmas.

2. The ordinary and extraordinary audit anticipated by the provisions on joint stock companies is carried out for the firms of the present article by chartered accountant.

3. The firms of paragraph 1 notify to the Capital Market Commission the particulars which are subject to publicity, in accordance with the provisions of article 7a of law 2190/1920.

4. The Capital Market Commission is entitled to audit the books and particulars that are kept by the firms of paragraph 1, which are obliged to provide to the Capital Market Commission and to the bodies the Committee appoints for the audit all the particulars that are necessary for the exercise of the audit.

5. The provisions of the Rules of Conduct anticipated by article 7, which will be valid for the Investment Services Firms of paragraph 2 of article 27, will apply accordingly to the firms of the present article.

6. If it is detected that the firms of the present article violate the provisions of the securities exchange legislation, or endanger investors' interests, the Capital Market Commission imposes to these firms fines up to ten million (10,000,000) drachmas, which, in the case of a serious offence, may rise up to twenty million (20,000,000) drachmas. In case of serious and repetitive offences, the Capital Market Commission forbids the operation of these firms, whereby the Capital Market Commission informs the competent - according to the provisions of law 2190/1920 - supervising authority, which recalls the authorisation of this firm within one month from the notification of the decision of the Capital Market Commission. The fine of the first clause may be readjusted by decision of the Minister of National Economy, following the recommendation of the Capital Market Commission.

Article 31

The Investment Services Firms operating according to paragraph 2 of article 27, the firms of clause i of paragraph1 of article 3 of the present law, as well as all the firms providing core investment services, are obliged to comply with the provisions of the present law within six months from its enforcement, subject to paragraph 4 of article 14 of law 2324/1995 (GG 146 A).

CHAPTER G
CAPITAL ADEQUACY OF INVESTMENT SERVICES FIRMS AND CREDIT INSTITUTIONS

Article 32

1. Institutions must daily maintain own funds sufficient to cover all the following capital requirements:

a) the capital requirements arising from position risk according to article 35 of the present law, based on the trading book,

b) the capital requirements arising from settlement and counterparty risk according to article 36 of the present law, based on the trading book,

c) the capital requirements arising from the risk of net open foreign exchange positions according to article 37 of the present law, based on their business,

d) the capital requirements arising from large exposures according to article 33 of the present law, based on the trading book,

e) the capital requirements anticipated in the Act of Governor of the Bank of Greece 2054/1992 (GG 49 A), which applies accordingly to Investment Services Firms (by decision of the Capital Market

Commission) based on their business, apart from those coming from its trading book and its illiquid assets, as described under par. 5 of article 38 of the present law, under the condition that these particulars will be excluded from the calculation of own funds, according to the alternative definition of own funds of par. 5 of article 38 of the present law,

f) the capital requirements for any transactions falling under the scope of the present law and of the Act of Governor of the Bank of Greece 2054/1992 (GG 49 A), which entail risks similar to the risks covered by the present law and by the Act of Governor of the Bank of Greece 2054/1992.

2. Regardless of the capital requirements stipulated in particulars a) through f), the minimum own funds of Investment Services Firms must not be lower than one fourth of their fixed costs during the previous fiscal year.

This amount may be readjusted by the Capital Market Commission, in case of fundamental change in the business of the Investment Services Firm, compared with the previous year.

If an Investment Services Firm has not exercised its activities throughout a whole year, including the starting day of its business, its own funds must not be lower than one fourth of its fixed costs anticipated in its business program, except if the Capital Market Commission requires the adjustment of that program.

3. If the own funds held by an institution are not sufficient to cover on a daily basis all the capital requirements of par. 1 of the present article, the Bank of Greece or the Capital Market Commission, depending on the case, see to it that the institution in question takes appropriate the measures to rectify its situation as quickly as possible.

In case of non compliance of the instituion in question, the sanctions anticipated in article 22 of law 2076/1992 (GG 130 A) apply to credit institutions, while the sanctions anticipated in the present law apply to Investment Services Firms.

4. The Credit Institutions and the Investment Services Firms are obliged to submit all the particulars and necessary information to ensure compliance with the provisions of par. 1,2 and 3 of the present article.

Credit Institutions are obliged to submit at least once a month to the Bank of Greece information, the nature and content of which is determined by the latter.

Investment Services Firms are obliged to submit to the Capital Market Commission information, the nature and content of which is determined by the latter, as follows:

a) at least once a month for the Investment Services Firms providing the investment service 1d of article 2 of the present law,

b) at least every three (3) months for the Investment Services Firms providing the investment services 1a, 1b and 1c of article 2 of the present law, and

c) at least every six (6) months for the Investment Services Firms providing the investment services 1a of article 2 of the present law. Notwithstanding the above, the Investment Services Firms mentioned under cases a) and b) are obliged to submit the information every six (6) months, provided it is on a consolidated or on a subconsolidated basis.

5. The competent authorities ensure that the internal control mechanisms and the administrative and accounting procedures of the institutions allow at any time the monitoring of their compliance with the provisions of the present article.

For this purpose they issue acts-decisions as to the specification of the details and terms of implementation of the above controls.

The institutions must have the reliable and efficient systems of administrative information, in order: a) to be able at any time to calculate with reasonable accuracy the financial condition of the institution and b) to monitor and control the interest-rate risk on all of their business.The efficiency of those systems is subject to the supervision of the competent authorities.

The competent authorities impose to the institutions the obligation to report immediately any case, where their counterparties in sale and repurchase or purchase and reverse repurchase agreements or in stock lending and stock borrowing, do not fulfil their conventional obligations arising from the transactions in question as to the performance of their tasks.

Article 33
Control and monitoring of large exposures

1. The calculation of large exposures of credit institutions, their notification procedure to the Bank of Greece and their supervision, fall under the provisions of the Act of the Governor of the Bank of Greece 2246/16.9.93 (GG 198 A), as valid, applies accordingly to Investment Services Firms by decision of the Capital Market Commission.

2. Provided the capital requirements of the trading book are calculated according to the provisions of the present law, the institutions monitor and control their large exposures to individual clients or to groups of connected clients, according to the Act of the Governor of the Bank Greece 2246/16.9.93 (GG 198 A), with the following modifications:

a) The large exposures to an individual client which arise from the trading book are calculated by summing up the following items:

(i) the excess - where positive - of an institution's long positions over its short positions in all the financial instruments issued by the client in

question. The net position in each of the different instruments is calculated according to the provisions for position risk of the present law.

(ii) in the case of underwriting of a debt or of an equity instrument, the credit institution's exposure will be its net exposure which is calculated by deducting those underwriting positions which are subscribed or sub-underwritten by third parties on the basis of a formal agreement, reduced by the reduction factors set out in paragraph 14b of article 35 of the present law.

The institutions are obliged to set up systems to monitor and control their underwriting exposures from the time of the initial commitment up to the first working day of distribution of the securities in order to prevent any risks arising from the markets in question.

(iii) the exposures due to the transactions, agreements and contracts referred to in article 36 of the present law of the client itself, for the settlement and counterparty risks which are being calculated in the manner laid down in that article, without application of the relevant weightings for counterparty risk.

b) The exposures on the trading book to groups of connected clients are calculated by summing up the exposures to individual clients in a group, as anticipated by the previous paragraph a.

c) The overall exposure of the credit institution to individual clients or groups of connected clients is calculated by summing up the exposures which arise from the trading book and the exposures which arise from the non-trading book, also taking into account the provisions of Chapter E of the Act of the Governor of the Bank Greece 2246/16.9.93.

In order to calculate the exposure on the non-trading book, institutions calculate as null the exposure arising from assets which are deducted from their own funds by virtue of paragraph 5 of article 38 of the present law.

The above overall exposures are notified to the Bank of Greece, according to the provisions of Chapter C, of the Act of the Governor of the Bank Greece 2246/1993, or to the Capital Market Commission, on a case by case basis.

d) The sum of exposures to an individual client or to a group of connected clients cannot exceed the upper limits specified in Chapter D of the Act of the Governor of the Bank Greece 2246/1993, subject to the provisions of Chapter G of the same Act.

e) The competent authorities may allow assets constituting claims and other exposures against Investment Services Firms, recognized third-country Investment Services Firms and recognized clearing houses, as well as transactions in financial assets, regardless of their duration, provided the above assets are not part of the Investment Services Firms' own funds, to be weighted by a factor of twenty percent (20%).

3. The competent authorities by general or special decisions may authorise that the limits laid down in Chapter D of the Act of the Governor of the Bank Greece 2246/1993 be exceeded, subject to the following conditions being met simultaneously:

a) The exposure on the non-trading book to the client or to a group of clients does not exceed the limits laid down in the Act of the Governor of the Bank Greece 2246/1993, calculated with reference to own funds, as defined by the Act of the Governor of the Bank Greece 2246/1993 (GG 49 A), so that the excess arises entirely from the trading book.

b) The excess in respect of the limits laid down in the Act of the Governor of the Bank Greece 2246/1993, Chapter D, paragraph 1a and b is met by an additional capital requirement. The requirement is calculated by selecting those components of the total trading exposure to the client or to the group of clients, to which more strict specific-risk requirements than the anticipated by articles 35 or/and 36 are applied, the sum of which equals to the amount of the excess referred to in the above item a. If the excess has not persisted for more than ten (10) days, the additional capital requirement equals to two hundred percent (200%) of the requirements anticipated by the previously mentioned components. If the excess lasts more than ten (10) days, the previously mentioned components are allocated to the appropriate line in column I of the table below in ascending order of the specific-risk requirements of articles 35 or/and 36. The institution then meets an additional capital requirement equal to the sum of the specific-risk requirements of articles 35 or/and 36 on these components, multiplied by the corresponding factor in the second column of the same table.

Excess over the limits (as percentage of own funds)	Factors
(1)	(2)
	of own funds
exposure up to 40%	200%
exposure between 40%-60%	300%
exposure between 60%-80%	400%
exposure between 80%-100%	500%
exposure between 100%-250%	600%
exposure over 250 %	900%

c) if ten (10) days or less have elapsed from the excess, the trading-book exposure to the client or the group of connected clients must not exceed 500 % of the institution's own funds.

d) The sum of all excesses that have persisted for more than ten (10) days must not exceed in total six hundred percent (600%) of the institution's own funds.

e) Every three months, the institutions report to the competent authorities all cases where an excess

was recorded over the elapsed three months of the limits laid down in the Act of Governor of the Bank Greece 2246/1993, Chapter D, paragraph 1a and b, by mentioning the name of the client concerned and the amount of the excess.

4. For the purposes of paragraphs 2, cases b and c, and 3 of the present article, the institutions, with the consent of the competent authorities may use the alternative definition of own funds, as laid down in paragraphs 2 and 5 of articles 38 of the present law, subject to the condition that these institutions comply with the obligations of Chapters C and D of the Act of Governor of the Bank Greece 2246/1993 for the exposures on non- trading book, by employing the own funds, as defined in the Act of Governor of the Bank Greece 2053/1992.

5. The competent authorities establish special procedures, which are announced to the European Commission and Council, in order to prevent institutions from deliberately transferring, through false transactions, their exposures to a company of the same group or not, in order to cover the period of ten (10) days and to obtain an extension, with the purpose of avoiding the additional capital requirements, which would in any case arise, from the exposures exceeding the limits laid down in the Act of Governor of the Bank Greece 2246/1993, Chapter D, paragraph 1a and b. The institutions must immediately announce to the Bank of Greece or to the Capital Market Commission, depending on the case, any transfer leading to the previously mentioned result and must maintain the appropriate for this purpose internal control systems.

Article 34
Supervision of Institutions on a Consolidated Basis, Conditions for the Exemption from Supervision on a Consolidated Basis, Calculating the Consolidated Requirements

1. The capital requirements for covering risks and large exposures, as imposed in articles 32 and 33 of the present law, are calculated on a consolidated basis, according to the provisions of the presidential decree 267/1995 (GG 149 A) of the present article:

a) for institutions having as subsidiary at least one credit institution, within the meaning of the presidential decree 267/1995 (GG 149 A), an Investment Services Firm or another financial institution or which hold a participation in such entities, and

b) for institutions the parent undertaking of which is a financial holding company.

2. When a group covered by the above paragraph 1 does not include a credit institution, is subject to supervision based on its consolidated financial accounts, according to the provisions of the presidential decree 267/1995, taking into account the following:

a. A financial holding company means a financial institution, the subsidiary undertakings of which are either exclusively or mainly Investment Services Firms or other financial institutions including at least one Investment Services Firm,

b. A mixed activity holding company means a parent undertaking, other than a financial holding company or an Investment Services Firm, the subsidiaries of which include at least one Investment Services Firm,

c. The Capital Market Commission is the competent authority empowered by the law to carry out the supervision.

d. Every reference to credit institutions and to law 2076/1992 (GG 130 A) is replaced by references to Investment Services Firms and to the provisions of the present law regarding these firms.

e. Clause 1 d of article 6 of the presidential decree 267/1995 (GG 149 A), does not apply.

f. Paragraph 3 of article 8 of the presidential decree 267/1995 (GG 149 A) is replaced as follows:

‘ In the case that an Investment Services Firm, a financial holding company or a mixed activity holding company controls one or more subsidiaries which are insurance companies, offering investment services and being subject to the previous authorisation, the Capital Market Commission cooperates closely with the Ministry of Commerce which supervises these companies, to ensure their effective supervision, according to the provisions of the present presidential decree, ignoring in such cases any restrictions imposed by other provisions of the legislation, as to the disclosure of confidential information.’

3. For the institutions which are neither parent undertakings nor subsidiaries of parent undertakings of cases a and b, respectively, of paragraph 1 of the present article, the capital requirements demanded by articles 32 and 33 of the present law are calculated solely for each one of them.

4. The Capital Market Commission may, when the circumstances justify it, exempt from the consolidation the institutions covered by paragraph 2 of the present article, subject to the condition that each Investment Services Firm of the group:

a. Uses the definition of own funds anticipated in article 38 of the present law with the following amendments:

(i) Subtracting the non liquid assets, as defined in paragraph 5 of article 38 of the present law.

(ii) Taking also into account the participations, as defined in paragraph D of Chapter I of the Act of Governor of the Bank of Greece 2053/1992 (GG 49 A), of the Investment Services Firm in enterprises falling under the provisions of supervision on a

consolidated basis, as defined in paragraph 1 of the present article.

(iii) The limits set up by article III of the Act of Governor of the Bank of Greece 2053/1992 are calculated in relation to the initial own funds reduced by the participations mentioned in the above item (ii), which form part of the initial own funds of Investment Services Firms.

(iv) For the purposes of paragraphs 3 and 4 of article 38 of the present law, the participations mentioned in the above item (iii) are subtracted from the initial own funds and not from the overall assets, as defined by paragraph D of Chapter I of the Act of Governor of the Bank of Greece 2053/1992.

(b) Calculates the capital requirements on a solo basis, imposed by articles 32 and 33 of the present law.

(c) Sets up systems to monitor and control the sources of capital and the funding of all other financial institutions within the group.

(d) Notifies the Capital Market Commission of the risks especially of those related to the composition and sources of funds and its funding, which could damage its financial condition.

5. If the Capital Market Commission feels that the financial condition of the Investment Services Firms of paragraph 4 of the present article is not adequately protected, it requires from them to take measures such as limitations on the transfer of capital from such firms to group entities.

In the case that the Capital Market Commission does not impose the supervision on a consolidated basis, by applying paragraph 4 of the present article, it takes measures for the supervision of risks and especially of large exposures within the group, including firms established in third countries.

6. Subject to the provisions of the Act of Governor of the Bank of Greece 2053/1992 (Chapter I,Db cluase 2) and of law 2054/1992 (Chapter 3, paragraph 3 and Chapter 9, paragraph 3) (GG 49 A), the competent authorities may not apply on an individual or subconsolidated basis the capital requirements imposed by articles 32 and 33 of the present law to institutions which, as a parent undertaking, are subject to supervision on a consolidated basis, and to their subsidiaries which are subject to the supervision of the institutions and are included in the supervision on a consolidated basis of the institution which is its parent company.

The same right is granted where the parent undertaking is a financial holding company which has its head office in Greece, provided that it is subject to the same supervision as that exercised over credit institutions or Investment Services Firms, and in particular to the requirements imposed by articles 32 and 33 of the present law.

In such cases the competent authorities take the appropriate measures to ensure the satisfactory allocation of own funds within the group.

7. Where an institution is established in Greece and its parent undertaking is an institution established in another Member State of the European Union, the competent authorities apply to it the rules laid down in articles 32 and 33 on a individual or, where appropriate, on a subconsolidated basis, regardless of whether the parent undertaking is subject to supervision from them on a consolidated basis or not.

8. Notwithstanding paragraph 7, in the case of an institution supervised by the Bank of Greece or by the Capital Market Commission which is a subsidiary of a parent undertaking supervised by the competent authorities of another Member State of the European Union, the Bank of Greece or the Capital Market Commission, depending on the case, may decide by a bilateral agreement, to delegate their responsibility for supervising to the competent authorities of the other Member State of the European Union. The Bank of Greece or the Capital Market Commission, depending on the case, inform the Commission of the European Union of the existence and content of such agreements.

9. Where the rights of waiver provided for in paragraphs 6 and 8 are not exercised, the competent authorities may, for the purpose of calculating the capital requirements set out in chapters 33 and 35 of the present law, on a consolidated basis, permit net positions in the trading book of one institution to offset positions in the trading book of another institution according to the provisions set out in articles 33 and 35 of the present law. In addition, they may allow foreign-exchange positions, subject to article 37 of the present law, in one institution to offset foreign-exchange positions in another institution in accordance with the provisions set out in article 37 of the present law.

10. The competent authorities may also permit offsetting of the trading book and of the foreign-exchange positions of undertakings located in third countries, subject to the simultaneous fulfilment of the following conditions:

(a) those undertakings have been authorized in a third country and either satisfy the definition of a credit institution, according to article 2 of law 2076/1992 (GG 130 A), or are recognized third-country Investment Services Firms,

(b) such undertakings comply, on a solo basis, with capital adequacy rules equivalent to those laid down in this law,

(c) no regulations exist in the countries in question which might significantly affect the transfer of funds within the group.

11. The competent authorities may also allow the offsetting provided for in paragraph 9 between

institutions within a group that have been authorized in Greece, provided that:

(a) there is a satisfactory allocation of own funds within the group,

(b) the regulatory, legal or contractual framework in which the institutions operate is such that guarantees mutual financial support within the group.

12. Furthermore, the competent authorities may allow the offsetting provided for in paragraph 9 between institutions within a group that fulfil the conditions imposed in the above paragraph 11, and any institution included in the same group which has been authorized in another Member State of the European Union, provided that that latter institution is obliged to fulfil the capital requirements imposed in articles 32 and 33 on a solo basis.

13. The consolidated funds are calculated according to Chapter II of the Act of Governor of the Bank of Greece 2053/1992 (GG 49 A).

14. With the general or specific permission from the competent authorities, the institutions may apply, for the calculation of their consolidated own funds, the specific own-funds definitions described under article 38 of the present law.

CHAPTER G
CALCULATION OF CAPITAL REQUIREMENTS OF INVESTMENT SERVICES FIRMS AND CREDIT INSTITUTIONS

Article 35
Position risk

A. General

1. Specific and general risk: In order to calculate the capital required from an institution so as to be covered against the position risk on a traded debt instrument or on equities or on derivatives on traded debt instruments, the building block approach is followed. According to this approach, position risk is analysed into two components:

a) The first component regards specific risk included in the position, namely the risk of a price change in the relative instrument due to factors related to its issuer or, in the case of a derivative, to the issuer of the underlying asset.

b) The second component covers general position risk, namely the risk of a price change in the relative instrument either due to a change in the level of interest rates, in the case of a traded debt instrument or a debt derivative or, in the case of an equity or an equity derivative, due to a broad price change in the equity market not related to any specific attributes of individual securities.

2. Scope of implementation: If an institution temporarily transfers either securities or guaranteed rights relating to security titles by means of a repurchase agreement, or lends securities by means of a securities lending agreement, these securities are included in the calculation of its capital requirement for position risk, provided that such securities are within its trading book.

The positions of the institution in units of collective investment undertakings are not subject to position-risk requirements, according to the present law, but are subject to the capital requirements of the Act of Governor of the Bank of Greece 2054/1992 (GG 49 A), with regard to the solvency ratio, applied accordingly to Investment Services Firms by decision of the Capital Market Commission.

3. Netting and classification of trading positions: The excess of an institution's long (short) positions over its short (long) positions in the same equity, debt and convertible issues and identical financial futures, options, warrants and covered warrants represent its net position in each of those different instruments. Positions in derivative instruments may be offset by opposite positions in similar underlying securities or in other identical derivatives.

Before their summation, all net positions are daily converted into drachmas, according to the fixing price, regardless of their sign and the currency in which their contract has been agreed upon. The offsetting of a position in a convertible issuance by an opposite position in the underlying asset of the issuance is only allowed by permission of the competent authorities.

4. Derivative instruments in underlying issuances: For the calculation of capital requirements for the protection against specific and general risk, institutions estimate their positions in derivative instruments according to the following:

a) Futures and Forward Agreements: The positions in interest rate futures, forward rate agreements (FRAs) and forward commitments to buy or sell debt instruments are treated as combinations of long and short positions. In specific:

(i) A long interest rate futures position is treated as a combination of a borrowing, maturing on the delivery date of the futures contract (short position), and a holding of an asset with maturity date equal to that of the instrument, or to the notional position underlying the futures contract in question (long position).

(ii) A sold FRA is treated as a combimation of a long position with a maturity date equal to the settlement date plus the contract period, and a short position with maturity equal to the settlement date.

(iii) A forward commitment to buy a debt instrument is treated as a combination of a borrowing maturing on the delivery date and a long position in the debt instrument itself.

b) Options: Options on interest rates, debt instruments, equities, equity indices, financial futures, swaps and foreign currencies are treated as if they were positions equal in value to the amount of the underlying asset to which the option refers, multiplied by the delta of the option.

One of the following factors may be alternatively used as a delta coefficient: (i) the factor is used by the securities exchange where the option is traded, or (ii) the factor is calculated by the institution itself. The latter may only be used when there is no other available coefficient, or for OTC options, subject to the Bank of Greece and the Capital Market Commission being satisfied that the model used by the institution is reasonable.

c) Warrants: Positions in warrants and covered warrants is effected in the same way as provided for options.

d) Swaps: Swaps are treated for interest-rate risk purposes on the same basis as on-balance-sheet instruments. Thus an interest-rate swap under which an institution receives floating-rate interest and pays fixed-rate interest shall be treated as equivalent to a long position in a floating-rate instrument of maturity equal to the remaining period until the next interest fixing and a short position in a fixed-rate instrument with the same maturity as the swap itself.

e) Alternative method of calculating positions in derivative instruments and bonds: Sensitivity models. Institutions which mark to market and manage the interest-rate risk on the derivative instruments on a discounted-cash-flow basis may use sensitivity models to calculate the positions in derivative instruments as well as in bonds amortized over their residual life rather than via one final repayment of principal.

Both the model and its use by the institution must be approved by the competent authorities.

These models should generate positions which have the same sensitivity to interest-rate changes as the underlying cash flows. This sensitivity must be assessed with reference to independent movements in sample rates across the yield curve, with at least one sensitivity point in each of the maturity bands set out in Table 2 of the present article.

The positions arising in this way are included in the calculation of capital requirements for the protection against specific and general risk, according to the building block approach.

f) Institutions which do not calculate their risk in the above categories of derivative instruments by means of sensitivity models may, with the approval of the competent authorities, treat as fully offsetting their opposite positions in derivative instruments and hence creating no capital requirement, provided at least the following conditions are met:

(i) the positions are of the same value and denominated in the same currency,

(ii) the reference rate for floating-rate positions or the coupon for fixed-rate positions is closely matched,

(iii) the next interest fixing date or, for fixed coupon positions, the residual maturity falls within the following limits:

aa. on the same day, if it is less than one (1) month,

bb. within seven (7) days, if it is between one (1) month and one (1) year,

cc. within thirty (30) days, if it is over one (1) year.

Details on the submission of the positions in derivative instruments, in accordance with the above, are defined by decisions of the Bank of Greece and of the Capital Market Commission.

B. Traded debt instruments

5. The institution classifies its net positions, daily converted into drachmas, based on the fixing price and according to the currency in which they are denominated and calculates the capital requirement for general and specific risk in each individual currency separately.

6. Specific risk: In calculating the capital requirement for specific risk in traded debt instruments and in derivative instruments having these instruments as underlying assets, the institution classifies its net positions into the appropriate categories of Table 1 of the present article, on the basis of their residual maturities up to their expiry date. The debt instruments issued by the institutions themselves are not taken into account.

Then, these positions are weighted by the appropriate factors anticipated in Table 1 of the present article and all the long and short weighted positions are summed up. The capital requirement equals to the total of these weighted positions.

The capital requirement for the specific risk arising from interest rate futures and forward rate agreements, both for the borrowed amount (short notional position) and for the withheld asset (long notional position), is equal to zero.

In the case of forward commitments to buy debt instruments, the borrowed amount is listed under the column of 'central government items' of Table 1 of the present article and the debt instrument under the appropriate column of the same Table, depending on the characteristics of its issuer.

7. General risk: In the calculation of capital requirements for general risk arising from traded debt instruments and derivatives on these instruments, the competent authorities may allow the institutions, either generally or individually, to use on a continuous basis: a) either the maturity based method, or b) the duration based method.

8. Maturity based method: The procedure for calculating capital requirements against general risk involves the following steps:

a) The institution classifies all its net positions (long and short) into the approriate maturity band, under the second or third (2 or 3) column, depending on the case, of Table 2 of the present article, either according to the residual period up to the expiry date, for fixed rate instruments, or, for floating rate instruments, according to the period up to the next interest rate fixing date before the expiry date.

The classification under the second or third column of the same Table, respectively, is realised according to the interest rate yield.

b) The institution weighs each net position by the coefficient in the fourth column of Table 2 of the present article, which corresponds to the relevant maturity band. Then, for each maturity band both the weighted long positions and the weighted short positions are summed up.

c) The amount of the long positions matched with the corresponding short positions in a given maturity band is the matched weighted position of that band.

The residual long or short position is the unmatched weighted position of the same band, whether it is long or short.

d) The institution computes the total of the unmatched weighted long positions for the maturity bands included in each of the three zones in Table 2 of the present article, in order to derive the unmatched weighted long position for each zone. Similarly the sum of the unmatched weighted short positions for each maturity band in a particular zone are summed up to compute the unmatched weighted short position of that zone.

(i) The part of the unmatched weighted long position in a given zone that is matched with the unmatched weighted short position in the same zone corresponds to the matched weighted position of that zone.

(ii) The part of the unmatched weighted long or unmatched weighted short position in a zone that cannot be thus matched corresponds to the unmatched weighted position of that zone.

This calculation is carried out separately for each zone.

e) The institution then proceeds into the following:

(i) Computes the amount of the unmatched long (short) position in zone 1 of Table 2 of the present article, which is matched with the unmatched short (long) position in zone 2 of the same Table. This amount refers then to the matched weighted position between zones 1 and 2.

(ii) The same calculation is then undertaken with regard to that part of the unmatched weighted position in zone 2 of Table 2 of the present article which is left over and the unmatched weighted position in zone 3 of the same Table, in order to calculate the matched weighted position between zones 2 and 3. The institution may calculate the matched weighted position between zones 2 and 3 before working out the matched weighted position between zones 1 and 2.

(iii) The remainder of the unmatched weighted position in zone 1 of Table 2 of the present article is then matched with what remains from that in zone 3 after the latter's matching with zone 2 of the same Table, in order to derive the matched weighted position between zones 1 and 3.

(iv) Lastly, any residual positions, following the three separate matching calculations, are summed up.

The institution's capital requirement is calculated as the sum of the following amounts, based on Table 2 of the present article:

(i) 10 % of the sum of the matched weighted positions in all maturity bands,

(ii) 40 %, of the matched weighted position in zone 1,

(iii) 30 % of the matched weighted position in zone 2,

(iv) 30 % of the matched weighted position in zone 3,

(v) 40 % of the matched weighted position between zones 1 and 2 and between zones 2 and 3,

(vi) 150 % of the matched weighted position between zones 1 and 3, and

(vii)100 % of the residual unmatched weighted positions.

9. Duration-based method: The procedure for calculating the capital requirements involves the following steps:

a) The institution takes the market value of each fixed-rate debt instrument and then calculates its yield to maturity, which refers to the discount rate for that instrument. In the case of floating-rate instruments, their yield is calculated based on the market value of each instrument up to its maturity, under the assumption that the principal is due when the interest rate can next be changed.

b) The institution then calculates the modified duration of each debt instrument by means of the following formula:

modified duration = D / (1+r), where

$$D = \frac{\sum_{t=1}^{m} \frac{t C_t}{(1+r)^t}}{\sum_{t=1}^{m} \frac{C_t}{(1+r)^t}}$$

D = average duration
r = yield to maturity
C_t = cash payment at the end of time t
m = total maturity

c) The institution allocates each debt instrument to the appropriate zone of Table 3 of the present article, on the basis of the modified duration of each instrument.

d) The institution, based on the duration factor, calculates the duration-weighted position for each instrument by multiplying its market price by its modified duration, as well as by the coefficient of column 3 of Table 3, which refers to the assumed interest-rate change for an instrument with that particular modified duration.

e) The institution, based on the duration factor, calculates the duration-weighted long and the duration-weighted short positions within each zone of Table 3 as follows:

(i) The part the weighted long position in each zone which is matched with the weighted short position in the same zone represents the duration-weighted position of that zone.

(ii) The unmatched residual of the weighted long or short position in each zone, represents the unmatched weighted position of that zone.

f) Lastly, the institution proceeds to the matching within zones, in the following way:

(i) The institution calculates the amount of the unweighted long (short) position in zone 1 of Table 3, which is matched with the short (long) position in zone 2 of the same Table. This amount represents the matched weighted position between zones 1 and 2.

(ii) The institution matches the residual amount of the unmatched weighted position in zone 2 of Table 3 with the unmatched weighted position in zone 3 of the same Table, in order to determine the matched weighted position between zones 2 and 3, before the calculation of the matched weighted position between zones 1 and 2.

(iii) The residual of the unmatched weighted position in zone 1 of Table 3 is matched with the residual in zone 3 of the same article, which is left over after its matching with zone 2, in order to derive the matched weighted position between zones 1 and 3.

(iv) The remaining, after the three separate matchings, unmatched weighted positions are summed up.

g) The institution's capital requirement is then calculated as the sum of the following amounts:

(i) Two percent (2%) of the matched duration-weighted position in each zone,

(ii) Fourty percent (40%) of the matched duration-weighted positions between zones 1 and 2 and between zones 2 and 3 of Table 3,

(iii) One hundred and fifty percent (150%) of the matched duration-weighted position between zones 1 and 3 of Table 3 and,

(iv) One hundred percent (100%) of the residual unmatched duration-weighted positions.

C. Shares

10. The institution sums up the overall net long positions and the overall net short positions in equities and derivative instruments on equities. The total of the two amounts represents the total gross position of the institution. The total net position is defined as the amount by which one of the totals exceeds the other.

11. Specific risk: The institution’s capital requierement for specific risk is equal to four percent (4%) of its overall gross position.

By exception to the above, this requirement may, by decision of the competent authorities, be set up at two percent (2%) of the overall gross position of the institution, provided all the following requirements are fulfilled:

a. The issuers of the shares have not issued traded debt instruments which, according to Table 1 of the present article, entail a capital requirement of eight percent (8%).

b. The shares are considered by the competent authorities to be of high liquidity, based on objective criteria.

c. No position in the shares of the same issuer exceeds five percent (5%) of the value of the overall portfolio of the institution. The competent authorities may, by exception, allow positions in shares of the same issuer up to ten percent (10%), provided the sum of these positions does not exceed fifty percent (50%) of the institution’s shares’ portfolio.

12. General risk: The institution’s capital requirement for general risk equals to eight percent (8%) of its overall net position.

13. Stock index futures: The index futures, the weighted by the delta coefficient options’ equivalents on these contracts or on share price indices are called in short ‘stock index futures’.

The competent authorities may allow these contracts to be analysed into specific positions on the shares of which they are composed. A stock index future that cannot be analysed into the underlying positions, is viewed as an individual stock. The capital requirement for the specific risk against that stock is null, if the contract is traded in the securities exchange and represents, according to the opinion of the competent authorities, a fairly diversified index.

The institutions may offset their positions in one or more of the shares constituting a stock index future, with opposite positions in the same shares, provided they are entitled to do so and have the approval of the competent authorities.

In such case the institutions must have sufficient capital to provide protection against the risk arising from the possibility of a stock index future’s price not following closely the prices of the shares that compose the index. The same applies to an

institution which holds opposite positions in stock index futures the maturity date of which and/or the composition do not coincide.

By exception, in the case of stock index futures trading in the securities exchange and representing, according to the competent authorities, fairly diversified indices, the capital requirement for general risk is eight percent (8%), while for specific risk is null. These contracts are taken into account only in the calculation of the overall institution's net position in shares, but they are not considered for the calculation of the institution's overall gross position.

D. Underwriting issuances

For the calculation of the capital requirement for underwriting debt instruments and shares, the Bank of Greece or the Capital Market Commission, depending on the case, may allow the institution to apply the following procedure:

a) Calculates the net underwriting positions by subtracting the underwriting positions that are underwritten by third parties or by sub-underwriters, on the basis of formal agreements. Underwriting position is defined as the amount that the institution becomes unconditionally committed and contractually obliged to cover.

b) The institution reduces the net underwriting positions by applying the following reduction factors:

- working day 0	:	100%
- working day 1	:	90%
- working days 2 to 3	:	75%
- working day 4	:	50%
- working day 5	:	25%
- after working day 5	:	0%

Working day 0 is the working day on which the institution becomes unconditionally committed to accept a known quantity of securities at an agreed price.

c) The institution calculates its capital requirement using the above reduced underwriting positions. The institution must hold sufficient capital to provide protection against the risk of any loss occuring between the working day 0 and working day 1.

E. Special procedures for derivative instruments

15. In exception to the building block approach, the capital requirement for position risk arising either from forward contracts or from written options traded in the securities exchange, may be equal to the margins required by the securities exchange, if the Bank of Greece or the Capital Market Commission, depending on the case, are satisfied that this amount provides an accurate measure of the risk associated with the option, and if the method used to calculate the margin is equivalent to the previously mentioned method of calculation. As for bought options, regardless of whether they are traded in the securities exchange or not, the capital requirement may be the same as for the asset underlying it, provided it does not exceed the market value of the option. In OTC written options, the capital requirement may be associated with the instrument underlying it.

The competent authorities also stipulate the terms and conditions for the sufficient protection against other risks, arising from positions in options, except for the risk associated with the delta factor.

The competent authorities by their decisions may adjust and modify the tables listed below, as well as specify the details for the implementation of these tables and of Chapters C and D of the present law.

TABLE 1
Specific risk factors
for traded debt instruments

Central government items	Qualifying items			Other items
	Up to 6 months	Over 6 and up to 24 months	Over 24 months	
0.00 %	0.25 %	1.00 %	1.60 %	8.00 %

TABLE 2

Zones	Maturity Band		Weighting (in %)	Interest rate change (in %)
	Coupon of 3% or more	Coupon of less than 3%		
(1)	(2)	(3)	(4)	(5)

1	0 ≤ 1 months	0 ≤ 1 month	0.00	
	> 1 ≤ 3 months	> 1 ≤ 3 months	0.20	1.00
	> 3 ≤ 6 months	> 3 ≤ 6 months	0.40	1.00
	> 6 ≤ 12 months	> 6 ≤ 12 months	0.70	1.00
2	>1 ≤ 2 years	>1 ≤ 1.9 years	1.25	0.90
	> 2 ≤ 3 years	> 1.9 ≤ 2.8 years	1.75	0.80
	> 3 ≤ 4 years	> 2.8 ≤ 3.6 years	2.25	0.75
3	> 4 ≤ 5 years	> 3.6 ≤ 4.3 years	2.75	0.75
	> 5 ≤ 7 years	> 4.3 ≤ 5.7 years	3.25	0.70
	> 7 ≤ 10 years	> 5.7 ≤ 7.3 years	3.75	0.65
	> 10 ≤ 15 years	> 7.3 ≤ 9.3 years	4.50	0.60
	> 15 ≤ 20 years	> 9.3 ≤ 10.6 years	5.25	0.60
	> 20 years	> 10.6 ≤ 12 years	6.00	0.60
		> 12 ≤ 20 years	8.00	0.60
		> 20 years	12.50	0.60

TABLE 3

Zones	Modified Duration (in years)	Assumed interest rate change (in %)
(1)	(2)	(3)
1	0 to 1.0	1.00
2	1.0 to 3.6	0.85
3	3.6 and above	0.70

Article 36
Settlement and counterparty risk

A. Settlement-delivery of debt instruments and equities' risk

1. In the case of transactions in which debt instruments and equities, excluding repurchase or reverse repurchase agreements and securities lending and securities borrowing, are not settled after their due delivery dates, the institution calculates the price difference between the agreed settlement price for the debt instruments or equities in question, and their current market value, where the difference could involve a loss for the institution. The institution multiplies this difference by the appropriate factor in column A of paragraph 2 in order to calculate its capital requirement.

2. Notwithstanding paragraph 1, the institution may calculate its capital requirements by multiplying the agreed settlement price of every transaction which has not been settled between 5 and 45 working days after its due date by the appropriate factor in column B of the table below.

As from 46 working days after the due date, the institution calculates its capital requirement as hundred percent (100%) of the price difference between the agreed settlement price and the current market value, provided this difference could involve a loss for the institution.

Number of working dates after due settlement date	COLUMN A (%)	COLUMN B (%)
5 - 15	8	0.5
16 - 30	50	4.0
31 - 45	75	9.0
46 or more	100	up to paragraph 2

B. Counterparty risk

3. Free deliveries: The institution is required to hold capital against counterparty risk if: a) it has paid for securities before receiving them or it has delivered securities before receiving payment for them, and b) in the case of cross border transactions, one (1) day or more has elapsed from the date the institution made the payment or delivered the securities. The capital requirement is 8 % of the agreed value of the securities or cash owed to the institution multiplied by the risk weighting applicable to the relevant counterparty,

according to the Act of Governor of the Bank of Greece 2054/92 (GG 49 A), as also applied to Investment Services Firms by decision of the Capital Market Commission.

4. Repurchase and reverse repurchase agreements and securities lending and borrowing: In the case of repurchase agreements and securities lending based on securities included in the trading book, a capital requirement is imposed when the difference between the market value of the securities lent by the institution and the amount borrowed by the institution (or the market value of the collateral) is positive. In the case of reverse repurchase agreements and securities borrowing regarding securities of the trading book, a capital requirement is imposed when the difference between the market value of the securities lent by the institution (or the market value of the deposited collateral) and the amount borrowed by the institution (or the market value of the collateral) is positive.

The above capital requirements raise up to eight percent (8%) of the amount resulting from the cases of the previous two clauses multiplied by the weighted risk factor applicable to the specific counterparty, according to the Act of Governor of the Bank of Greece 2054/92 (GG 49 A), as also applied to Investment Services Firms by decision of the Capital Market Commission. Accrued interest is included in the calculation of the market value of the amounts to be lent or borrowed or provided for as collateral, with the exception of the securities traded in a regulated market, where their market value includes accrued interest.

Institutions may not include the amount of excess collateral in the calculations of paragraph2 of the present article, provided they take the necessary measures so that the amount of excess can always be returned in the event of default of the counterparty.

5. OTC derivative instruments: The institutions, in order to calculate the capital requirement on their OTC derivative instruments, apply Annex II of the Act of Governor of the Bank of Greece 2054/92 (GG 49 A) in the case of interest-rate and exchange-rate contracts, as applied accordingly to Investment Services Firms, by decision of the Capital Market Commission.

The bought OTC equity options (call or put) and the covered warrants are subject to the capital requierement calculated according to Annex II of the Act of Governor of the Bank of Greece 2054/92 (GG 49 A) for exchange rate contracts as applied accordingly to Investment Services Firms, by decision of the Capital Market Commission.

The risk weightings to be applied in the calculation of the above capital requirements are defined in point 24 of article 2 of the present law.

6. Other exposures: The exposures arising from fees, commissions, interest rates, dividends and margins on exchange-traded futures or options contracts which are directly related to the items included in the trading book, are subject to the capital requirements of the Act of Governor of the Bank of Greece 2054/92, as applied accordingly to Investment Services Firms, by decision of the Capital Market Commission, provided that these exposures are neither covered by the present article, or by article 35 of the present law, nor are deducted from own funds as non liquid assets, according to the definition provided for in paragraph 5 of article 38 of the present law.

The risk weightings which are to be applied in the calculations of the above capital requirements are defined in point 24 of article 2 of the present law.

Article 37
Foreign exchange risk

1. If an intitution's overall net foreign exchange position exceeds two percent (2%) of its total own funds, the excess is multiplied by a factor, stipulated by decisions of the competent authorities, which cannot be less than eight percent (8%), in order to calculate the institution’s own funds requirement against foreign exchange risk.

2. The calculation of the overall net foreign exchange position is carried out in two stages:

a) The institution's net open position in each currency, including drachma, is separately calculated. This position corresponds to the sum of the following elements (positive or negative):

(i) the net spot position, namely the sum of all asset items less all liability items, including accrued interest,

(ii) the net forward position, namely all amounts to be received less all amounts to be paid under forward exchange transactions, including currency futures and the principal on currency swaps not included in the spot position,

(iii) irrevocable guarantees and similar instruments that are certain to be called,

(iv) the net delta equivalent of the total book of foreign currency options and

(v) the market value of the remaining types of options, except for currency options.

(vi) With the consent of the competent authorities, any structural positions which an institution has deliberately taken in order to hedge against the adverse effect of the exchange rate on its capital ratio may be excluded from the calculation of the net open currency position. The same treatment, subject to the same conditions as above, may be applied to positions of an institution related to items already deducted in the calculation of own funds.

b) The net short and long positions in each currency, other than the reporting currency, are converted into drachmas, according to the spot rate, as it is each time defined by decisions of the competent authority.

These positions are then summed up, so that the total of the net short positions and the total of the net long positions, respectively, can be derived. The higher of these two totals is the institution's overall net foreign exchange position.

When calculating the net open position in each currency, institutions may, at the discretion of the Bank of Greece or of the Capital Market Commission, depending on the case, use the net present vaIue.

Net positions in composite currencies may be broken down into the component currencies according to the prevailing quotas.

3. Notwithstanding the above, the competent authorities may impose to or allow, depending on the case, institutions to use the following procedures:

a) Provide lower capital requirements than those which would result from applying paragraphs 1 and 2 of the present article, against positions in closely correlated currencies.

The capital requirement, in specific, for the matched position in two closely correlated currencies equals to four percent (4%) of the value of the matched position. Contrary to the above, the capital requirement for the unmatched position in closely correlated currencies, as well as for all other positions in other currencies, equals to eight percent (8%) multiplied by the highest amount between the overall net long and the overall net short positions in these currencies, after the deduction of matched positions in the closely correlated currencies.

Two currencies are deemed to be closely correlated only if the likelihood of a loss, calculated on the basis of daily exchange rate data for the preceding three or five years (observation period), occurring on equal and opposite positions in such currencies over the following ten working days (holding period), has a probability of at least:

(i) ninety nine percent (99%) (level of confidence), when an observation period of three years is used, and for a likelihood of loss being four percent (4%) or less of the drachmas value of the matched position in question,

(ii) ninety five percent (95%), when an observation period of five years is used.

b) Apply special methods to calculate the capital requirement for foreign exchange risk. The capital requirement produced by this method must be sufficient:

(i) to cover the losses, if any, that would have occurred in a level of confidence of at least ninety five percent (95%), of the rolling ten (10) working day periods over the preceding three (3) years, if the institution had begun each such period with its current positions, or

(ii) on the basis of an analysis of exchange rate movements during all the rolling ten (10) working day periods over the preceding five (5) years, to exceed the likely loss over the following ten (10) working day holding period - either in a level of confidence of at least ninety five percent (95%), if the analysis of exchange rate movements covers the preceding five (5) years - or alternatively, at a level of confidence of at least ninety nine percent (99%), if the analysis of exchange rate movements covers the preceding three (3) years,or more of the time, or, alternatively, to exceed the likely loss 99 %, or finally

(iii) irrespective of the capital requirements derived from the application of the above particulars b(i) and b(ii) of the present paragraph, the capital requirements are defined to exceed two percent (2%) of the net foreign exchange position, as measured according to paragraphs 1 and 2 of the present article.

4. The appropriate in each case competent authorities, may allow institutions to remove positions in any currency, falling under a legally binding intergovernmental agreement, to limit its variation relative to other currencies covered by the same agreement, regardless of the methods according to the above paragraphs 2 and 3. The capital requirements for matched positions in such currencies are at least equal to fifty percent (50%) of the maximum permissible variation specified by the agreement. Unmatched positions in those currencies shall be treated in the same way as other currencies not subject to intergovernmental agreement.

Notwithstanding the first clause of the first paragraph, the competent authorities may allow the capital requirement on the matched positions in currencies of Member States of the European Union to be one point six percent (1.6%), of the value of such matched positions.

5. The competent authorities notify the Council of the European Union and the European Commission of the methods they are prescribing or allowing in respect of the above paragraphs 3 and 4.

Article 38
Own Funds

1. The own funds of credit institutions are defined in accordance with the Act of Governor of the Bank of Greece 2053/18.3.92 (GG 49 A), as applied accordingly to Investment Services Firms by decision of the Capital Market Commission.

2. In compliance with the capital requirements arising from position risk, settlement and

counterparty risk, foreign exchange risk, as well as the risk from the excess of the limits set up for large exposures, where excesses derive from the trading book, the competent authorities may allow institutions to use the definition of own funds listed below. This alternative definition includes all the following items, defined by the Act of Governor of the Bank of Greece 2053/18.3.92:

a. The own funds of the aforementioned Act.

b. The net trading book profits, free from any foreseeable charges or dividends, as well as from losses on other business, provided that none of those amounts has already been included in the calculation of the above particular a.

c. Subordinated loans fully paid up, provided they have an initial maturity of at least two (2) years.

The above subordinated loans must not, without the written consent of the competent authorities, include any clause of early repayment of capital before the agreed repayment date, except for the cases of dissolution and liquidation of the institution.

Neither the principal nor the interest on such subordinated loans may be repaid if it entails a reduction of the own funds of the institution in question to less than one hundred percent (100%), of the institution's overall requirements, arising from the application of the present law.

The repayment of subordinated loans, entailing a reduction of the own funds of the institution in question to less than one hundred and twenty percent (120%) of its overall capital requirement is only allowed with the approval of the competent authorities.

3. The above subordinated loans must not exceed a maximum of one hundred and fifty percent (150%) of the original own funds left to meet the capital requirements arising from position risk, settlement and counterparty risk, foreign exchange risk, as well as the risk from the excess of the limits set up for large exposures.

The competent authorities may, following a request from a credit institution and provided they deem this necessary for supervisory purposes, allow institutions to exceed the ceiling for subordinated loans, if their total, including the items referred to under the following paragraph 4 of the present article, does not exceed two hundred and fifty percent (250%) of the capital requirements left to meet the above risks.

4. With the consent of the competent authorities, the subordinated loans referred to in the above paragraph 2 (c), may be replaced by the following items of own funds, as these are defined in Chapter I of the Act of Governor of the Bank of Greece 2053/92:

a. Reserves from the readjustment of fixed assets.

b. Corrections of claims against credit institutions and clients, bonds, shares and other floating rate instruments, not constituting fixed financial assets and not being included on their trading book.

c. Securities of a non specified duration which fulfil all the requirements a to d of paragraph C3 of Chapter 1 of the Act of Governor of the Bank of Greece 2053/92.

d. Preferred shares giving rights to cumulative dividend, C3 ii and C4 i of the Act of Governor of the Bank of Greece 2053/92, of a non specified or of a specified duration or of a maturity of more than five (5) years, according to the provisions of paragraph C4 ii of the above Act.

5. In the calculation of the alternative definition of institutions' own funds, all illiquid assets may, at the discretion of the competent authorities, be subtracted, namely:

a.Tangible fixed assets except for land and buildings, mortgaged to secure loans

b. Holdings in, including subordinated claims on, credit or financial institutions regardless of whether they are included in the own funds of such institutions.

The holdings in question and the subordinated claims are not subtracted if they have already been subtracted in the calculation of own funds of other credit institutions in which the holdings have been vested and provided they cover the requirements of clauses a and b of paragraph D of Chapter 1 of the Act of Governor of the Bank of Greece 2053/92.

When the participations in similar instituitions or enterprises are held temporarily for the purpose of financial assistance and reorganization and rehabilitation of the latter, illiquid assets are not subtracted and the interested institutions may include them in the calculation of their own funds.

c. Holdings and other investments, in undertakings other than financial institutions, which are not readily marketable,

d. Losses in subsidiaries, in the sense of the provisions of article 42 E paragraph 5 clause a of law 2190/1920, as each time valid.

e. Deposits made, other than those which are available for repayment within the next three months, based on valid accounting items. Payments in connection with margins on futures or option contracts are also excluded.

f. Loans, other than those due to be repaid within the next three months.

g. Physical stocks, unless they are subject to capital requirements similar to those applied to transactions not falling under the scope of the provisions of the Acts of the Governor of the bank of Greece 2053/18.3.92 and 2054/18.3.92 (GG 49 A).

PART B

DEMATERIALISED SHARES

Article 39
Issuance of dematerialised shares and conversion of physical shares into dematerialised shares

Hereafter, according to the above designated, for the shares subject to listing or the already listed ones on the Athens Stock Exchange (main and parallel market) of Greek joint stock companies, no more titles are issued and the existing ones cease to incorporate shareholder's rights but these shares are registered, without a serial number, into the files of the Central Securities Depository S.A. (dematerialised shares) and are monitored by registrations into these files.

Article 40
Listed shares

1. Pending the application for listing of shares on the Athens Stock Exchange (A.S.E.), titles of the shares of a joint stock company, which already exist, without any titles on them, on the submission date of the application, or which originate, during the period that the application is pending, from a share capital increase, are not issued. After the acceptance of listing, the joint stock company, without issuing titles, proceeds to the following actions: a) for bearer shares, forwards to the Central Securities Depository S.A. (CSD S.A.) a list of the shareholders and the shares for their registration in the latter's files, b) for registered shares, notifies the CSD S.A. of the appropriate entries in its books for registration in the files of the CSD S.A. The rejection of an application, is followed by the issuance of titles for these shares.

2. By a resolution of the Capital Market Commission, according to the provisions of paragraphs 20 up to 22 of article 14 of law 2166/1993, regarding exceptions to the conditions set up in case 4 of paragraph I of article 3 of the presidential decree 350/1985, during the period that an application of listing on A.S.E. of shares of a joint stock company is pending, it may be waived the existing, on the submission date of the application, incorporation of shares subject to listing into titles, provided the shareholders deliver to the joint stock company the titles of these shares along with their relevant written statement. In such a case, without any other formality, the incorporation of these titles is waived. After the acceptance of the application, the joint stock company invalidates the titles delivered according to the above. As for the shares for which the incorporation into titles is waived: a) if these are bearer, the company forwards to the CSD S.A. a list of the shareholders and the shares for the registration into the files of the CSD S.A, b) if these are registered, the company notifies the CSD S.A. of the appropriate entries in its books for the registration into the files of the CSD S.A. If the application is rejected, shares must be incorporated into titles and the joint stock company delivers for these shares, either old titles, delivered to the company according to the above, or, if necessary, new titles, issued in replacement to the old ones.

3. The registration in the files of the CSD S.A., according to the designated in the previous paragraphs of this article, also includes any existing enjoyment or pledge on shares, of which the joint stock company notifies the CSD S.A.

Article 41
Listed physical shares

Listed shares on the A.S.E. at the enforcement of this law and the hereafter subject to listing and the listed shares in physical form are registered into the files of the CSD S.A., according to the designations of articles 42 to 45. The registration includes, except if done after a sale according to article 45, also any enjoyment or pledge on shares, preserved, as an enjoyment of rights or a pledge on right, respectively. Upon commencement of the appropriate term, defined in paragraph 1 of article 44, the issuing company forwards to the CSD S.A. a list of the total of its listed shares in physical form classified by category.

Article 42
Bearer shares in physical form

1. Upon change in the nominal value of the listed bearer shares in physical form or their conversion into shares of another type, no new titles are issued. The issuing company notifies the CSD S.A. of the change or the conversion. Furthermore, provided the depository certificates are delivered to the company, the company invalidates them and notifies CSD S.A. of each delivery so that the shares can be registered into the CSD S.A.'s files. When the change or the conversion refers to shares for which depository certificates have been issued, the CSD S.A., provided it receives the depository certificates, invalidates them, as well as the stock titles corresponding to them and registers the shares into its files.

2. The transfer of listed bearer shares in physical form by clearing of a securities exchange transaction is valid from its registration into the files of the CSD S.A. The latter, prior to the transfer, receives and invalidates the stock titles or the depository certificates. If a depository certificate is delivered, the CSD S.A. invalidates also the stock

titles corresponding to it and registers in its files also the non-transferred stock corresponding to it.

Article 43
Registered shares in physical form

1. Upon a change in the nominal value of the listed registered shares in physical form or their conversion into shares of another type, no new titles are issued. The issuing company enters the appropriate registrations into its books and notifies the CSD S.A. of the change or the conversion. Furthermore, provided the depository certificates are delivered to the company, the company invalidates them and notifies the CSD S.A. of each delivery so that the shares can be registered into the CSD S.A.'s files. When the change or the conversion refers to shares for which depository certificates have been issued, the CSD S.A., provided depository certificates are delivered to it, invalidates them and the stock titles corresponding to them and registers the shares into its files; moreover, the CSD S.A. notifies the stock issuing company, which caries out the appropriate registrations into its books.

2. The transfer of listed registered shares in physical form by clearing of a securities exchange transaction is valid from its registration into the files of the CSD S.A.. The latter, prior to the transfer, receives and invalidates the stock titles or the depository certificates. When a depository certificate is delivered, the CSD S.A. invalidates also the stock titles corresponding to it and registers to its files also the not transferred stock corresponding to it; moreover, the CSD S.A. notifies the stock issuing company, which carries out the appropriate registrations into its books.

3. The transfer of listed registered shares in physical form, which is not being done at the clearing of a securities exchange transaction, is valid according to the provisions in effect and the titles of these shares or the depository certificates are being invalidated by the issuing company or by the CSD S.A., respectively. Upon inheritance or bequest or quasi general succession, the issuing company notifies the CSD S.A. of the transfer so that it can be registered into its files. In case of a notarial descent of registered shares for which no depository certificate has been issued, the stock issuing company enters the appropriate registrations into its books, invalidates the titles of the shares and notifies the CSD S.A. so that the transfer can be registered into the files of the CSD S.A. In case of a notarial descent of registered shares for which a depository certificate has been issued, the CSD S.A. invalidates the depository certificate and the stock titles corresponding to it and registers into its files the transfer and the shares not transferred corresponding to it; moreover, it notifies the issuing company, which carries out the appropriate registrations into its books.

Article 44
Delivery of titles

1. Within a time limit of: a) eighteen (18) months from the enforcement of this law for the already listed, upon enforcement, shares, or b) one (1) year from the publication on the government gazette of the resolution by which the listing of the shares is realised, for the hereafter subject to listing and in physical form at the time of listing shares, each shareholder is obliged, provided the titles of his already listed shares have not previously been delivered, within the context of articles 42 and 43, to deliver his titles (stock titles or depository certificates) to their issuer.

When a resolution concerning the proclamation of the titles as invalid, due to theft, loss or destruction, cannot be disputed by an appeal and a revocation, the shareholder is obliged to deliver within the appropriate time limit the relevant documents (alternative documents) to the issuer of the invalid titles. Provided an enjoyment or a pledge on shares exist, the beneficial owners or the owners of the pledged shares, respectively, are obliged to deliver the titles to their issuer, within the appropriate prescribed time limit.

2. The expiry of the appropriate time limit designated by the previous paragraph is suspended: a) when transferring titles due to inheritance or bequest, b) when exercising a request concerning a proclamation of titles as invalid, due to theft, loss or destruction or c) when there is a seizure of titles. This suspension is valid only when all the following conditions prevail: a) on the initial expiry of the appropriate time limit, no more than six months have elapsed from, respectively: a) any acceptance of inheritance or bequest, b) the date after which no appeal and refutation can be filed against the resolution regarding the proclamation of the titles as invalid or c) the date after which the seizure ceases to entail legal consequences, and b) within the last month of the appropriate time limit, designated in the previous paragraph (regardless of any former knowledge, in any way, of the issuer of the titles), respectively: a) a person, who claims to have acquired, temporarily or definitely the titles due to inheritance or bequest, delivers to the issuer of the titles a written statement, whereby these titles are explicitly defined, b) a person, who filed the request concerning the proclamation of the titles as invalid, delivers to the issuer of the titles a copy of his application-request or c) the person, against whom the seizure of titles is effected, delivers to the issuer of the titles, a copy of the document related to the seizure, under the following obligations, fulfiled on a cumulative basis, that also in cases b and c these

titles are explicitly designated, to the delivered documents or to a written statement of the person who delivers, and that in all cases, at the time of delivery, it is stated in writing by the one who delivers that the above six months period has not, at the time of the statement, commenced or that the above six months period, would not, at the initial expiry of the appropriate time limit, have elapsed. Provided, the reason of the suspension refers to stock titles, the issuing company notifies each case to the csd s.a. moreover, as far as depository certificates are concerned, the csd s.a. notifies each case to the csd s.a. this suspension terminates, in any case, soonafter a period of eighteen (18) months elapses from the initial expiry of the appropriate time limit.

3. Upon delivery of stock titles and alternative documents, the issuing company invalidates these titles and forwards, occasionally, to the csd s.a., for registration into the files of the latter, a respective list of shareholders and shares, while for registered shares the company carries out the appropriate registrations into its books. Upon delivery of depository certificates and alternative documents, the csd s.a. invalidates, occasionally, the depository certificates and the stock titles corresponding to them and to the alternative documents and registers into its files the shares, while for registered shares the csd s.a. notifies the issuing company, which carries out the appropriate registrations into its books.

Article 45
Forced sale of shares

1. Subject to forced sale are: a) the listed shares, the titles or the alternative documents of which, have not been delivered within the time limit defined in paragraph 1 of the previous article, in the context of articles 42 to 44, soonafter this time limit elapses, unless a reason for suspension of the expiry of the time limit has been notified, according to the provisions of paragraph 2 of the previous article, and b) the listed shares, for the titles of which a suspension notice has been communicated, according to the provisions of paragraph 2 of the previous article, and the titles or the alternative documents of which have not been delivered before the elapse of eighteen (18) months from the initial expiry of the appropriate time limit, soonafter eighteen (18) months have elapsed from the initial expiry of the appropriate time limit defined in paragraph 1 of the previous article. Upon delivery of titles and alternative documents to the csd s.a., according to the designated in articles 42 to 44, the csd s.a. informs, occasionally, the issuing company of the titles delivered or proclaimed as invalid, provided depository certificates and alternative documents were delivered, as well as of the corresponding stock titles.

2. The shares subject to forced sale, are being sold free of any right or encumbrance, with the diligence of the issuing company, except if, up to one working day before the sale, the titles (stock titles or depository certificates) of these shares or the alternative documents have been delivered to the issuing company, whereby: a) the forced sale of shares on stock titles and alternative documents is suspended, while the sale is cancelled when the issuing company acts, with regard to these shares, according to the designated in the first clause of paragraph 3 of article 44 and b) the forced sale of shares on depository certificates and alternative documents is suspended and these depository certificates along with the alternative documents are forwarded, without audit, from the issuing company to the csd s.a, while the sale of these shares is cancelled when the csd s.a. acts, with regard to these shares, according to the designated in the first clause of paragraph 3 of article 44, and informs accordingly the issuing company. The value of the forced sale is deposited by the issuing company to the deposit and loans fund and is set at the disposal of the beneficiaries, to whom it is alloted according to a relative document of the issuing company. The new shareholders, following the forced sale according to this paragraph, are treated as shareholders from the date of the forced sale. The old shareholders, following the forced sale according to this paragraph, cease to be shareholders soonafter the elapse of the day preceeding the forced sale.

3. After each forced sale the issuing company forwards to the csd s.a., for registration into its files, a respective list of shareholders and shares. As for registered shares, the company enters the appropriate registrations into its books.

4. During the time period in which the listed shares are subject to forced sale according to this article, no shareholders' rights against the issuing company may be exercised.

5. The titles (stock titles or depository certificates) of the subject to forced sale shares cease to be exchange securities.

Article 46
Dematerialised bearer shares

1. According to the present law, the transfer of bearer shares, registered in the files (dematerialised bearer shares) of the central securities depository s.a. (csd s.a.), through the clearing procedure of the securities exchange transaction is valid upon its registration into the files of the csd s.a.

2. The off exchange transfer of dematerialised bearer shares is concluded in writing. The transfer is valid upon its entry in the csd s.a. files.

3. Upon transfer of dematerialised bearer shares due to inheritance or bequest or quasi general succession, the csd s.a. enters the transfer into its files.

4. Upon changeof the nominal value of dematerialised bearer shares, or their transformation into shares of another category, the csd s.a. updates its records according to the announcement of the issuing company.

Article 47
Dematerialised registered shares

1. According to the present law, the transfer of registered shares - registered into the csd s.a. files - (dematerialised registered shares) effected through the clearing procedure of the securities exchange transaction is valid upon entry in the csd s.a. files. The csd s.a. notifies the issuing company as for this entry and the latter carries out the relative entries in its books.

2. In order for dematerialised registered shares, resulting either from inheritance, or from bequest, or from quasi general succession, or from the replacement of shares due to a change in their nominal value, or from their transformation into shares of another type, the issuing company places - by the law - the relative entries in its books and announces them to the csd s.a., so that the latter registers them in its own files.

3. In the case of transfer of dematerialised registered shares through a notarial act, the transfer is valid upon its registration into the files of the csd s.a. the csd s.a. notifies the issuing company of this entry and the latter carries out the relative entries in its own books.

4. As for dematerialised registered shares, the person registered in the book of shareholders is considered to be the shareholder against the issuing company.

Article 48
Shareholder's statement of the intention to transfer

A shareholder may state in writing to csd s.a. his intention to transfer dematerialised shares off exchange to a stated person, within a specified time limit of maximum thirty (30) days from the submission of the application to the csd s.a. no securities exchange transaction or other, with the exception of their conventional off exchange allocation mentioned in the statement, may be concluded on those shares, except if the statement is recalled by a document sent to csd s.a., on which the concession of the person specified for the revocation is stipulated. The statement acts against everyone.

Article 49
Encumbrance

The pledge or any other encumbrance on dematerialised shares is valid from its registration into the files of the csd s.a. as for dematerialised registered shares, the pledge or any other encumbrance against the issuing company is valid from the date of communication of the latter to the relevant document.

Article 50
Certificate of authenticity of signatures and of authorization

As for a private document, by which an off exchange conventional transfer of dematerialised bearer shares, a pledge or enjoyment on dematerialised shares or, according to article 48, an application or revocation of application is effected, it is demanded that the following be certified by a notary on the private document: a) that the signatures shown on the private document are authentic, and b) in the case of a representative person signing, that the person signing is authorised to do so. The relative remuneration of the notary is fixed and is defined each time by the common decision of the ministers of national economy, of justice and of finance.

Article 51
Certificates provided by the csd s.a.

1. The csd s.a. certifies to the shareholder this property of his, his number of shares, either totally or in parts, as well as any burden placed on them. The csd s.a. grants a relative certificate to the person, in favour of whom the pledge or any other encumbrance is registered. Every certificate issued by the csd s.a. - in the sense of the present article - must bear a content relative to its reason of being.

2. In such cases where law anticipates the deposit of shares for the exercise of one's shareholder's rights, the relative certificate issued by the csd s.a. is equivalent to a receipt of the deposit of shares, while relative reference is made to any other certificate.

Article 52
Delisting from the securities exchange

The claim of a shareholder of a joint stock company as to the issuance of a share title raises again once the issuing company is delisted from the athens securities exchange.

Article 53
Tax provisions

1. The tax allowances and exemptions from duties and rights in favour of the greek State or third parties, in general, that are valid for the transfer of share titles of joint stock companies, are also valid for the transfer of dematerialised shares.

2. A. Following paragraph 1 of article 108 of the l.d. 118/1973 (gg 202 a), paragraph 1a is added as follows:

'1a. The joint stock company central securities depository is not allowed to proceed to any kind of entry in its files or to any other action concerning dematerialised bearer shares, provided these shares were acquired according to article 1, except if the certificate mentioned in article 105 has been submitted to the central securities depository.'

B. Paragraph 2 of article 108, l.d. 118/1973, is modified as follows:

'2. Wherever in the possession mentioned in article 1, registered titles or dematerialised registered shares are mentioned, their transfer or conversion into bearer shares cannot be effected, unless the certificate of article 105 is submitted.'

Article 54
Notifications

All kinds of notifications addressed, according to the present law, from the csd s.a., to, the issuing companies and vice versa must be sent within the prescribed time limit.

Article 55
Confidentiality

1. The registrations into the files of the csd s.a. regarding dematerialised shares are confidential, subject to paragraph 4 of article 24, law 1746/1988, as this is valid. The Capital Market Commission does not fall under the obligation to confidentiality during the course of its duties. This confidentiality on dematerialised bearer shares is also valid against the issuing company.

2. Managing directors, members of the board of directors or of other collective bodies, or csd s.a. employees, who disclose - in any manner - any piece of information relative to registrations into the files of the csd s.a., which concern dematerialised shares and which come to their knowledge during the course of their duties, are punished by imprisonment of at least six (6) months and by a fine. The consent or approval of the shareholder or of the person, in favour of which the pledge or any other encumbrance was registered, does not revoke the injustice committed.

3. The persons mentioned in paragraph 2 of this article, invited as witnesses in a civil or criminal suit, are never examined on the confidential entries in the csd s.a. files that concern dematerialised shares, even with the consent of either the shareholder, in favour of which the confidentiality persists, or of the person, in favour of which the pledge is or any other encumbrance was registered.

4. Notwithstanding the above, it is allowed to disclose information on confidential entries in the csd s.a. files, concerning dematerialised shares, in those cases where the existing legislation anticipates, each time, the provision of such information on bank deposits.

Article 56
Rights of the csd s.a.

The Capital Market Commission, following the recommendation of the board of directors of the csd s.a., sets up the rights of the csd s.a. as for the registration in its files and the issuance of certificates, according to the present law.

Article 57
Authorizations

1. By resolution of the Capital Market Commission, following to the recommendation of the board of directors of the csd s.a., are defined the issues concerning the sale of shares and the rendering of their price to the beneficiaries, according to article 45, as well as any issue of technical nature and necessary detail. By a similar resolution, may be defined the obligation of the issuing company to abide with the publicity formalities, as to the issue of the forced sale of shares.

2. By resolution of the Capital Market Commission, following to the recommendation of the board of directors of the csd s.a., may be defined the content of the registrations in the csd s.a. files, according to the present law, as well as the type and the content of every kind of announcements addressed, by the present law, from the csd s.a, to the issuing companies and vice versa,. By a similar resolution, the details and the technical issues as to the ordinary and the compulsory (extraordinary) clearing of securities exchange transactions on dematerialised shares, the content of the certificates issued by the csd s.a. according to the present law, the delivery to the issuing company or to the csd s.a. - according to the present law - of the share titles or the depository documents, respectively, the procedure of cancelling the share and depository documents, the statement and the revocation of the statement, according to article 48, as well as every other specific issue and necessary detail, may be defined.

3. By resolution of the Capital Market Commission, following the recommendation of the csd s.a. board of directors of the csd s.a., it may be defined that all the share titles, for which the csd

s.a. has issued depository documents before the enforcement of the present law, are cancelled before these depository documents are delivered for cancellation.

Article 58
Other provisions concerning the csd s.a.

1. On its own freely agreed terms and conditions, csd s.a. takes up the provision of the following services:

A. Distribution of dividends,

B. Full payment of interest-bearing coupons,

C. Distribution of securities,

D. Intermediation in the transfer of preference rights or preemption rights.

2. The csd s.a. may carry out any other activity related to the above provided services.

Article 59
Greek depository receipts

1. The issuance of greek depository receipts is allowed according to the conditions of the present article.

2. Paragraph 2 of article 2 of the p.d. 350/85, is modified as follows: 'securities, in the sense of the present article, refer to bonds, shares and greek depository receipts.'

Element a of article 3 of p.d. 348/85 is modified as follows: 'a) 'securities': shares, bonds, greek depository receipts'.

3. In the sense of the present law, a 'greek depository receipt' is meant to embody the total of the contractual rights, resulting in favour of the beneficiary of the certificate from the contract of the greek depository receipt.

4. Through the contract of greek depository receipt, on the one hand, the issuer of the certificate, who owns shares of a foreign company, is obliged to manage the shares that are on his name, but for the beneficiary's account, on the other hand, the beneficiary is obliged to pay the agreed price.

5. The issuer pays to the beneficiary the dividends and the interest, or other benefits the latter receives from the shares, that correspond to his certificates.

6. The right to vote resulting from the shares is exercised by the issuer according to the instructions of the beneficiary, in case the shares come into the possession of the issuer 72 hours before the assembly of shareholders of the foreign company, at the latest. In any other case the exercise of the right to vote is left to the issuer's discretion.

7. In case of a bonus issue by a foreign company, the issuer also manages the new shares in favour of the beneficiary under the same terms and conditions.

8. In case of a capital increase, the issuer exercises the preference right resulting from the shares that correspond to the beneficiary, if the latter pays for the respective participation in the capital increase. The issuer also manages the new shares, that result from the capital increase, for the beneficiary's account under the same terms and conditions.

9. The issuer files at his own discretion company suits and other legal aids for the protection of the beneficiaries' interests.

10. The issuer is obliged to transfer the ownership of shares without fail to the beneficiary, in case the greek depository receipt contract is cancelled or asked for. This claim is exercised even if the issuer goes into bankruptcy. The shares on which greek depository receipts have been issued do not constitute part of the assets of the certificates of the issuer and cannot constitute subject of distraint; however, whenever shares are distrained, the beneficiary may file an appeal, with appropriate adherence to article 936 of the code of civil justice.

11. In case of the foreign company's shares listing on the athens stock exchange, the contract is cancelled.

12. The shares represented by greek depository receipts are not included in the balance sheet of the issuer of the certificates.

13. As for shares of the same foreign company, the issuance of greek depository receipts by more than one issuers is prohibited. However, the joined issuance of greek depository receipts by more than one issuers is allowed.

14. Greek depository receipts can only be issued by banks legally operating in greece and having received authorisation, by the Capital Market Commission, following the recommendation of the athens securities exchange board of directors.

15. The permission is provided by the Capital Market Commission and aims at the safeguarding of the normal operation of the greek market for greeek depository receipts and at protecting the investors.

16. By resolution of the Capital Market Commission, following the recommendation of the athens securities exchange board of directors, are defined the presrcibed procedure for obtaining the above mentioned authorisation, as well as the supporting documents that must accompany the relevant application.

17. As for greek depository receipts listed on the athens securities exchange (main and parallel market), titles are not issued, but the provisions of part b of the present law apply accordingly.

18. The greek depository receipts not listed on the athens stock exchange are incorporated in either registered or bearer securities.

19. The issuance of greek depository receipts presumes it is accompanied by the approval of the issuer of the shares, to which the certificates

correspond, who takes up conventionally - against the issuer of the greek depository receipts - the obligation to ensure the equal handling of the shares corresponding to the certificates with the shares existing under the same conditions, and to provide to the latter all the information necessary to the public and to the greek authorities and to fulfil, in general, the obligations resulting from article 5 of the p.d. 350/85. The issuer of the greek depository receipts is not responsible for any possible inaccuracy of the information he received from the issuer of the shares, except if he was aware of the specific inaccuracy, or if he could have detected it by demonstrating the diligence of the average prudent transacting party.

20. It is possible that greek depository receipts be issued in a capital raise of a foreign company. This may be effected by a public offering, in accordance with article 8a of law 2190/1920.

21. Greek depository receipts are listed on the athens stock exchange (main and parallel market) as certificates of share titles. Article 13 of the p.d. 350/85 does not apply. A capital increase of the foreign company is not required. The application for the listing of greek depository receipts is submitted by their issuer.

22. The content of the prospectus is defined according to article 17 of the p.d. 348/85.

23. The payments of the issuer of the certificates to the beneficiaries is realised in the manner and in the currency are freely specified in the contract.

24. In order to serve the provisions anticipating an obligation or a possibility of specific persons to invest in shares, greek depository receipts are supposed to be equivalent to the shares they represent.

25. The greek depository receipts are subject to the same tax treatment, in general, as the shares issued by greek joint stock companied.

26. To be more specific, technical and detailed issues concerning, the operation of the statute of greek depository receipts, are regulated by resolutions of the Capital Market Commission.

27. The issuance of greek depository receipts representing foreign titles other than shares, especially bonds of foreign companies, may be enacted by the issuance of a presidential decree, following the recommendation of the minister of national economy,

Article 60
Other provisions

1. Paragraph 2 of article 7, p.d. 360/1985 (gg 126) - 'specification of the financial data that must be periodically published by companies whose shares are listed on the athens stock exchange' - is replaced as follows:

'2. In case the company, whose shares are listed on the securities exchange, does not proceed to the anticipated in the present decree publication, or does not conform to the provisions of it, with regard to the drafting and the content of the report, or does not publish the anticipated in article 4 par. 7 of the present law supplementary information, the minister of national economy inflicts a fine up to the amount of ten million (10,000,000) drachmas, taking into consideration the proposals of the athens stock exchange s.a. board of directors and the recommendation of the Capital Market Commission.

The upper limit of the above mentioned fine may be readjusted according to a relevant resolution of the minister of national economy, following the recommendation of the Capital Market Commission.'

2. The first clause under paragraph 3, article 26, law 1969/1991 (gg 167 a) 'portfolio investment companies, mutual funds, provisions for the modernisation and the reorganisation of the capital market and other provisions' is replaced as follows:

'3. At least the two fifths (2/5) of the share capital of a joint stock (portfolio) management company must belong to the joint stock company having a fully paid up share capital of at least one billion (1,000,000,000) drachmas, or its equivalent in foreign currency.

By resolution of the minister of national economy, following to the recommendation of the Capital Market Commission, the above mentioned minimum share apital may be readjusted.'

3. The second clause of paragraph 8, article 15, law 2324/1995 (gg 146 a) 'modification of legislation concerning securities exchanges, organisation of the Capital Market Commission, deposits' guarantee system and other provisions' is replaced as follows:

'the facility of the Capital Market Commission to extend the relative time limit for more than a semester, is valid until 30 september 1996 and is abolished thereafter.'

4. Under paragraph 4 of article 15, law 3632/1928, as replaced with paragraph 1 of article 26, law 2324/1995, the following clause is added:

'the number of shares that are subject to the above mentioned sale cannot exceed half of a percentage point (0.5 %) of the total number of shares of the same type and of the same issuer. Exceeding the above limit entails the non issuance of a depository document by the csd s.a., for the shares exceeding half of a percentage point (0.5 %) of the total number of shares of the same type and of the same type issuer.'

5. Paragraph 2 of article 26, law 2324/1995 is rescinded and paragraph 8 of article 15, law 3632/1928 (gg 137 a), complemented by article 74, law 1969/1991 (gg 167 a), comes again into force.

6. In article 3 of law 1806/1988 (gg 167 a), as modified by article 59 of law 1969/1991 and articles 13, 14 and 15 of law 2324/1995 (gg 146 a), the following paragraph 9 is added, as follows:

'9. A joint stock brokerage company with a share capital of one billion (1,000,000,000) drachmas may become a shareholder of a foreign brokerage company, after having taken the permission of the Capital Market Commission, issued within a period of three (3) months from the date the application was submitted, provided that the committee considers the managerial organisation and the financial condition of the relative company to be satisfactory and judges that the investors' interests are not endangered. The total value of those holdings must not exceed twenty percent (20%) of the own funds of the participating brokerage company.'

Article 61
Enforcement

The provisions of the present law are enforced upon their publication on the government gazette, apart from articles 39 through 57, whose enforcement commences two (2) months after the publication of this law on the government gazette.