



HELLENIC REPUBLIC
CAPITAL MARKET COMMISSION

DECISION
1/808/7.2.2018
of the Board of Directors

Subject: Organizational requirements with regard to safeguarding of financial instruments and funds belonging to clients, product governance and the provision or reception of fees, commissions or any monetary or non-monetary benefit.

**THE BOARD OF DIRECTORS
OF THE HELLENIC CAPITAL MARKET COMMISSION**

Having considered

1. Paragraph 16 of article 16 and the paragraph 13 of article 24 of Greek law 4514/2018 "Markets in financial instruments and other provisions" (Government Gazette A/14/30.1.2018).
2. Paragraph 4 of article 12 of Greek law 4099/2012 "Collective Investment in Transferable Securities and Mutual Fund Management Companies, Directive 2009/65/EU. Implementation of Directives 2010/78/EU, 2010/73/EU, 2011/96/EU, 2009/133/EU, 2004/113/EU into Greek legislation European Cooperative Society. Measures for the implementation of the Regulations (EU) 1338/2001 and (EU) 1210/2010 on the protection of euro and other provisions" (Government Gazette A/250/20.12.2012).
3. Paragraph 6 of article 6 of Greek law 4209/2013 "Implementation of Directive 2011/61/EU alternative investment fund manager and of the Directive 2011/89/EU on the supplementary supervision of financial entities on financial conglomerate, measures on the application of Regulation (EU) 648/2012/EU on OTC derivatives, central counterparties and trade repositories and other provisions into Greek legislation." (Government Gazette A/253/21.11.2013).
4. Commission Delegated Directive (EU) 2017/593 of 7 April 2016 "supplementing of Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefit" (L 87/500).
5. Article 90 of Presidential Decree 63/2005 "Codification of the legislation on Government and governmental bodies" (Government Gazette A/98/2005).
6. The fact that the provisions hereof do not cause for any expenses in the State Budget.

UNANIMOUSLY DECIDES

CHAPTER 1
SUBJECT MATTER, SCOPE AND DEFINITIONS

Article 1
Scope
(Article 1 of Delegated Directive 2017/593/EU)

1. The scope of this decision is to transpose into Greek legislation Commission Delegated Directive (EU) of 7 April 2016 on “supplementing of Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefit”.

2. This decision shall apply: a) to Investment Societe Anonyme (AEPEY) of Greek law 4514/2018, b) to Mutual Fund Management Companies (MFMCS) which are authorised to provide the services referred to in article 12 par. 2 of Greek law 4099/2012, c) to Alternative Investment Fund Manager Societes Anonymes (AIFMs), which are authorised to provide services referred to in article 6 par. 4 of Greek law 4209/2013 d) to Investment Intermediation Firms (IIF) of Greek law 4514/2018, and e) to the branches of third-country firms, which are granted an authorization in accordance with article 41 par. 2 of Greek law 4514/2018. Articles 11 to 13 shall also apply to credit institutions of Greek law 4261/2014, which provide investment services, to management companies which are authorised to provide services referred to in article 6 par. 4 of Directive 2009/65/EU, to Alternative Investment Fund Managers (AIFMs), which are authorised to provide the services referred to in article 6 par. 6 of Directive 2011/61/EU, which provide investment services in Greece through a branch, as well as to investment firms authorised in another member state, which provide services through a branch or a tied agent, in accordance with section B of article 35 of the Greek law 4514/2018.

3. For the purposes of chapter IV of this decision, references to AEPEYs and financial instruments shall encompass credit institutions and structure deposits in relation to all the requirements referred to in article 1 par. 3 and 4 of Greek law 4514/2018.

4. For the purposes of this decision:

1. "Securities financing transaction": transactions as defined in article 3 point (11) of Regulation (EU) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse.

2. "Qualifying money market fund": a collective investment undertaking authorised under Greek law 4099/2012, or Directive 2009/65/EU, or which is subject to supervision and, if applicable, authorised by an authority under the national law of the authorising Member State, and which satisfies all of the following conditions:

- (a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings,
- (b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions.
- (c) it must provide liquidity through same day or next day settlement.

For the purposes of point (b), a money market instrument shall be considered to be of high quality if the AEPEY performs its own documented assessment of the credit quality of money market instruments that allows it to consider a money market instrument as high quality. Where one or more credit rating agencies registered and supervised by ESMA have provided a rating of the instrument, the AEPEY's internal assessment should have regard to, inter alia, those credit ratings.

CHAPTER II

SAFEGUARDING OF CLIENT FINANCIAL INSTRUMENTS AND FUNDS

Article 2

Safeguarding of client financial instruments and funds

(Article 2 of Delegated Directive 2017/593/EU)

1. Where AEPEYs hold financial instruments and client funds:
 - (a) they must keep records and accounts enabling them at any time and without delay to distinguish assets held for one client from assets held for any other client and from their own assets,
 - (b) they must maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients and that they may be used as an audit trail,
 - (c) they must conduct, on a regular basis, reconciliations between their internal accounts and records and those of any third parties by whom those assets are held,
 - (d) they must take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with article 3, are identifiable separately from the financial instruments belonging to the AEPEY and from financial instruments belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection,
 - (e) they must take the necessary steps to ensure that client funds deposited, in accordance with article 4, in a central bank, a credit institution or a bank authorised in a third country or a qualifying money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the AEPEY,
 - (f) they must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

2. If, for reasons of the applicable law, including in particular the law relating to property or insolvency, AEPEYs cannot comply with paragraph 1 of this article to safeguard clients' rights to satisfy the requirements of article 16 paragraphs (8) and (9) of Greek law 4514/2018, AEPEYs must put in place arrangements to ensure that clients' assets are safeguarded to meet the objectives of paragraph 1 of this article.

3. If the applicable law of the jurisdiction in which the client funds or financial instruments are held prevents AEPEYs from complying with points (d) or (e) of paragraph 1, AEPEYs must prescribe requirements which have an equivalent effect in terms of safeguarding clients' rights.

When relying on such equivalent requirements under article 2 paragraph 1(d) or (e), AEPEYs must inform clients that in such instances they do not benefit from the provisions envisaged under Greek law 4514/2018 and this Decision.

4. Any security interests, liens or rights of set-off over client financial instruments or funds enabling a third party to dispose of client's financial instruments or funds in order to recover debts that do not relate to the client or provision of services to the client are not permitted except where this is required by applicable law in a third country jurisdiction in which the client funds or financial instruments are held.

Where the AEPEY is obliged to enter into agreements that create such security interests, liens or rights of set-off, to disclose that information to clients indicating to them the risks associated with those arrangements.

Where security interests, liens or rights of set-off are granted by the AEPEY over client financial instruments or funds, or where the AEPEY has been informed that they are granted, they must be recorded in client contracts and the firm's own accounts to make the ownership status of client assets clear, such as in the event of an insolvency.

5. AEPEYs must make information pertaining to clients' financial instruments and funds readily available to the Hellenic Capital Market Commission, the appointed insolvency practitioners and those responsible for the resolution of failed institutions. The information to be made available must include the following:

- (a) related internal accounts and records that readily identify the balances of funds and financial instruments held for each client,
- (b) where client funds are held by AEPEYs in accordance with article 4, details on the accounts in which client funds are held and on the relevant agreements with those firms
- (c) where financial instruments are held by AEPEYs in accordance with article 3, details on the accounts opened with third parties and on the relevant agreements with those third parties, as well as details on the relevant agreements,
- (d) details of third parties carrying out any related (outsourced) tasks and details of any outsourced tasks
- (e) key individuals of the firm involved in related processes, including those responsible for oversight of the firm's requirements in relation to the safeguarding of client assets, and
- (f) agreements relevant to establish client ownership over assets.

Article 3 **Depositing client financial instruments** **(Article 3 of Delegated Directive 2017/593/EU)**

1. AEPEYs may deposit financial instruments held by them on behalf of their clients into an account or accounts opened with a third party provided that the firms exercise all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instruments.

AEPEYs must take into account the expertise and market reputation of the third party as well as any legal requirements related to the holding of those financial instruments that could adversely affect clients' rights.

2. AEPEYs deposit client financial instruments with a third party in a jurisdiction where the safekeeping of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision.

3. AEPEYs do not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person unless one of the following conditions is met:
- (a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party in that third country,
 - (b) the financial instruments are held on behalf of a professional client, that client requests the AEPEY in writing to deposit them with a third party in that third country.
4. The requirements under paragraph 2 and 3 shall also apply when the third-party has delegated any of its functions concerning the holding and safekeeping of financial instruments to another third-party.

Article 4
Depositing client funds
(Article 4 of Delegated Directive 2017/593/EU)

1. The AEPEYs, on receiving any client funds, must promptly place those funds into one or more accounts opened with any of the following:
- (a) a central bank,
 - (b) a credit institution authorised in accordance with Greek law 4261/2014 or the Directive 2013/36/EU of the European Parliament and of the Council,
 - (c) a bank authorised in a third country,
 - (d) a qualifying money market fund.

2. Where AEPEYs do not deposit client funds with a central bank, they must exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds and they consider the need for diversification of these funds as part of their due diligence.

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

AEPEYs must ensure that clients give their explicit consent to the placement of their funds in a qualifying money market fund. In order to ensure this right to consent is effective, AEPEYs must inform clients that funds placed with a qualifying money market fund will not be held in accordance with the requirements for safeguarding client funds set out in this decision.

3. Where AEPEYs deposit client funds with a credit institution, bank or money market fund of the same group with the AEPEY, they must limit the funds that they deposit with any such group entity or combination of such group entities, so that the funds do not exceed 20% of all such funds.

An AEPEY may not comply with this limit where it is able to demonstrate that, in view of the nature, scale and complexity of its business, and also the safety offered by the third parties considered in the previous subparagraph, and including in any case the small balance of client funds the AEPEY holds the requirement under the previous paragraph is not proportionate.

AEPEYs must periodically review the assessment made in accordance with this subparagraph and must notify their initial and reviewed assessments to the Hellenic Capital Market Commission.

Article 5
Use of client financial instruments
(Article 5 of Delegated Directive 2017/593/EU)

1. AEPEYs must not enter into arrangements for securities financing transactions in respect of financial instruments held by them on behalf of a client, and they do not otherwise use such financial instruments for their own account or for the account of any other person or client of the firm, unless both the following conditions are met:

- (a) the client has given his/hers prior consent to the use of instruments on specific terms, as clearly evidenced in writing by signature or equivalent,
- (b) the use of client's financial instruments is restricted to the specific terms to which the client consents.

2. AEPEYs must not enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, and they do not otherwise use financial instruments held in such an account for their own account or for the account of any other person unless, in addition to the conditions set out in paragraph 1, at least one of the following conditions is met:

- (a) each client, whose financial instruments are held together in an omnibus account, must have given his/her prior express consent in accordance with the point (a) of paragraph 1,
- (b) AEPEYs must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with point (a) of paragraph 1 are so used.

The records of AEPEYs must include details of the clients on whose instructions the use of financial instruments has been effected, as well as the number of the financial instruments used belonging to each client who has given his/hers consent, so as to enable the correct allocation of any loss.

3. AEPEYs must take appropriate measures to prevent the unauthorized use of clients' financial instruments for their own account or for the account of any other person. In particular:

- (a) the conclusion of agreements with clients on measures to be taken by AEPEYs in the case the client does not have enough provision on his/her account on the settlement day, such as borrowing of the corresponding securities on behalf of the client or unwinding the position,
- (b) the close monitoring by the AEPEY of its projected ability to deliver the financial instruments at the settlement date and the putting in place of remedial measures if this cannot be done, and
- (c) the close monitoring and prompt requesting of undelivered securities outstanding on the settlement day and beyond.

4. AEPEYs must adopt specific requirements for all clients to ensure that the borrower of client financial instruments provides the appropriate collateral and that the firm monitors the continued appropriateness of such collateral and takes the appropriate steps to maintain the balance with the value of client instruments.

5. AEPEYs must not enter into arrangements which are prohibited under article 16 of Greek law 4514/2018.

Article 6
Inappropriate use of title transfer financial collateral arrangements

(Article 6 of Delegated Directive 2017/593/EU)

1. AEPEYs must examine and assess the use of title transfer financial collateral arrangements in the context of the relationship between the client's obligation to the firm and the client assets subjected to title transfer financial collateral arrangement by the firm. At the request of the Hellenic Capital Market Commission, AEPEYs must provide evidence of their compliance with the previous subparagraph.
2. When considering, and documenting, the appropriateness of the use of title transfer collateral arrangements, AEPEYs must take into account all of the following factors:
 - (a) whether there is only a small connection between the client's obligation to the firm and the use of transfer collateral arrangements, including whether the likelihood of a clients' liability to the firm is low or negligible,
 - (b) whether the amount of client's fund or financial instruments subject to title transfer collateral arrangements far exceeds the client's obligation, or is even unlimited if the client has any obligation at all to the firm, and
 - (c) whether all client's financial instruments or funds are subject to title transfer collateral arrangements, without consideration of what obligation each client has to the firm.
3. Where using titles transfer collateral arrangements, AEPEYs must highlight to professional clients and eligible counterparties the risks involved and the effect of any title transfer collateral arrangement on the client's financial instruments and the funds.

Article 7 Governance arrangements concerning the safeguarding of client assets (Article 7 of Delegated Directive 2017/593/EU)

AEPEYs must appoint a single officer of sufficient skill and authority, with specific responsibility for matters relating to the compliance by firms with their obligation regarding the safeguarding of the client's financial instruments and funds.

AEPEYs must decide, ensuring full compliance with this decision, whether the appointed officer is to be dedicated solely to this task or whether the officer can discharge responsibilities effectively, whilst having additional responsibilities.

Article 8 Reports by external auditors (Article 8 of Delegated Directive 2017/593/EU)

AEPEYs must ensure that their external auditors report at least annually to the Hellenic Capital Market Commission on the adequacy of the firms arrangements under the article 16 paragraphs 8, 9 and 10 of Greek law 4514/2018 and of this Chapter. The report must be submitted within two months of the end of each accounting period.

CHAPTER III PRODUCT GOVERNANCE REQUIREMENTS

Article 9 Product governance obligations for AEPEYs manufacturing financial instruments. (Article 9 of Delegated Directive 2017/593/EU)

1. The provisions of this article must apply to AEPEYs manufacturing financial instruments encompassing the creation, development, issuance or/and design of financial instruments.

AEPEYs manufacturing financial instruments must comply in a way that is appropriate and proportionate, with the relevant requirements of paragraphs 2 to 15, taking into account the nature of the financial instrument, the investment service and the target market for the product.

2. AEPEYs must establish, implement and maintain procedures and measures to ensure the manufacturing of financial instruments complies with the requirements on proper management of conflicts of interest, including remuneration. In particular, AEPEYs manufacturing financial instruments must ensure that the design of the financial instrument, including its features, does not adversely affect end clients or does not lead to problems with market integrity by enabling the firm to mitigate and/or dispose of its own risks or exposure to the underlying assets of the product, where the AEPEY already holds the underlying assets on own account.

3. AEPEYs must analyse potential conflicts of interests each time a financial instrument is manufactured. In particular, firms must assess whether the financial instrument creates a situation where end clients may be adversely affected if they take:

- (a) an exposure opposite to the one previously held by the firm itself, or
- (b) an exposure opposite to the one previously wants to hold after the sale of the product.

4. AEPEYs must consider whether the financial instrument may represent a threat to the orderly functioning or to the stability of financial markets, before deciding to proceed with the launch of the product.

5. AEPEYs must ensure that the relevant staff involved in the manufacturing of financial instruments possess the necessary expertise to understand the characteristics of financial instruments they intend to manufacture.

6. AEPEYs must ensure that the management body has effective control over the firm's product governance procedure. AEPEYs must ensure that the compliance reports to the management body systematically include information relating with financial instruments manufactured by the firm, including the information on the distribution strategy. AEPEYs must make the reports available to the Hellenic Capital Market Commission, on request.

7. AEPEYs must ensure that the compliance function monitors the development and periodic review of the product governance arrangements, in order to detect any risk of failure by the firm to comply with the obligations set out in this article.

8. AEPEYs where they collaborate, including with entities which are not authorised and supervised in accordance with Greek law 4514/2018 or the Directive 2014/65/EU or with third-country firms, must create, develop, issue or/and design a product, to outline their mutual responsibilities in a written agreement.

9. AEPEYs must identify at a sufficiently granular level the potential target market for each financial instrument and to specify the type(s) of client for whose needs, characteristics and objectives the financial instrument is compatible. As part of this process, the AEPEY must identify any group(s) of clients for whose need, characteristics and objectives the financial instrument is not compatible. Where AEPEYs collaborate to manufacture a financial instrument, only one market needs to be identified.

AEPEYs manufacturing financial instruments that are distributed through other AEPEYs must determine the needs and characteristics of the clients for whom the product is compatible based on their theoretical knowledge and past experience with the financial instrument or with similar financial instruments, the financial markets and the needs, characteristics and objectives of potential end clients.

10. AEPEYs must undertake a scenario analysis of their financial instruments, which must assess the risks of poor outcomes for end clients posed by the product and in which circumstances these outcomes may occur. AEPEYs must assess the financial instrument under adverse conditions covering what would happen if, for example:

- (a) the market conditions deteriorated,
- (b) the manufacturer or a third party involved in manufacturing or/and functioning of the financial instrument experiences financial difficulties or if other counterparty risk materialises,
- (c) the financial instrument fails to become commercially viable, or
- (d) demand of the financial instruments is much higher than anticipated, putting a strain on the firm's resources or/and on the market of the underlying instrument.

11. AEPEYs must determine whether a single financial instrument meets the identified needs, characteristics and the objectives of the target market, including by examining the following elements:

- (a) the financial instrument's risk/reward is consistent with the target market and
- (b) the financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

12. AEPEYs must consider the charging structure proposed for the financial instrument, including by examining the following:

- (a) financial instruments costs and charges are compatible with the needs, the objectives and the characteristics of the target market,
- (b) charges do not undermine the financial instrument's expectations, such as where the costs or the charges equal, exceed or remove almost all the expected tax advantages linked to a financial instrument, and
- (c) the charging structure of the financial instrument is appropriate transparent for the target market, such as that it does not disguise charges or is too complex to understand.

13. AEPEYs must ensure that the provision of information about a financial instrument to distributors includes information about the appropriate channels for distribution of the financial instrument, the product approval process and the target market assessment and is of an adequate standard to enable distributors to understand and recommend or dispose the financial instrument properly.

14. AEPEYs must review the financial instruments they manufacture on a regular basis, taking into account any event that could materially affect the potential risk for the identified target market. AEPEYs must examine if the financial instrument remains consistent with the needs, characteristics and objectives of the target market and if it is being distributed to the target market, or is reaching to clients for whose needs, characteristics and objectives the financial instrument is not compatible.

15. AEPEYs must review the financial instruments prior to any further issue or disposal, if they are aware of any event that could materially affect the potential risk to investors, and at regular intervals to assess whether the financial instruments function as intended.

AEPEYs must determine how regularly to review their financial instruments based on relevant factors, including factors linked to the complexity or the innovative nature of the investment strategies pursued. AEPEYs must identify also the crucial events that would affect the potential risk or return expectations of the financial instrument, such as:

- (a) the crossing of a threshold that will affect the return profile of the financial instrument, or
- (b) the solvency of certain issuers whose securities or the guarantees may impact the performance of financial instrument.

AEPEYs must ensure that, when such events occur, they take appropriate action which may consist of:

- (a) the provision of any relevant information on the event and its consequences on the financial instrument to the clients or to the distributors of the financial instrument, if the AEPEY does not offer or sell the financial instrument directly to the clients,
- (b) changing the product approval process,
- (c) stopping further issuance of the financial instrument,
- (d) changing the financial instrument to avoid unfair contract terms,
- (e) considering whether the sales channels through which the financial instruments are sold are appropriate, where firms become aware that the financial instrument is not being sold as envisaged,
- (f) contacting the distributor to discuss a modification of the distribution process,
- (g) terminating the relationship with the distributor, or
- (h) informing the Hellenic Capital Market Commission.

Article 10

Product governance obligations for distributors (Article 10 of Delegated Directive 2017/593/EU)

1. AEPEYs, when deciding the range of the financial instruments issued from themselves or other firms and services they intend to offer or to recommend to clients, must comply, in a way that is appropriate and proportionate, with the relevant requirements laid down in paragraphs 2 to 10, taking into account the nature of the financial instruments, the investment service and the target market for the product.

AEPEYs must comply with the requirements of Greek law 4514/2018 when offering or recommending financial instruments manufactured by entities that are not subject to Greek law 451/2018 or the Directive 2014/65/EU. As part of this process, AEPEYs must have in place effective arrangement to ensure that they will obtain enough information about these financial instruments from their manufacturers.

AEPEYs must determine the target market for the respective financial instrument, even if the target market was not defined by the manufacturer.

2. AEPEYs must have in place adequate product governance arrangements to ensure that products and services they intend to offer or recommend are compatible with the needs, characteristics, and objectives of an identified target market and that the intended distribution strategy is consistent with the identified target market. AEPEYs must appropriately identify and assess the circumstances and needs of the clients they intend to focus on, so as to ensure that clients' interests are not compromised as a result of commercial or funding pressures.

As part of this process, firms shall identify any groups of clients for whose needs, characteristics and objectives the product or service is not compatible.

AEPEYs must obtain from manufactures that are subject to Greek law 4514/2018 or to Directive 2014/65/EU information to gain the necessary understanding and knowledge of the products they intend to recommend or dispose in order to ensure that these products will be distributed in accordance with the needs, characteristics and objectives of the identified target market.

AEPEYs must take all reasonable steps to ensure they also obtain adequate and reliable information from manufacturers not subject to Greek law 4514/2018 or to Directive 2014/65/EU to ensure that products will be distributed in accordance with the characteristics, objectives and needs of the target market. Where relevant information is not publicly available, the distributor must take all reasonable steps to obtain such relevant information from the manufacturer or from its agent.

Acceptable publicly available information is information which is clear and reliable and produced to meet regulatory requirements, such as disclosure requirements under Directive 2003/71/EC or 2004/109/EC of the European Parliament and of the Council. This obligation is relevant for products that are available on primary and secondary markets and must apply in a proportionate manner, depending on the degree to which publicly available information is obtained and the complexity of the product.

AEPEYs must use the information obtained from the manufacturers and information on their clients to identify the target market and distribution strategy. When an AEPEY acts both as many factors and distributor, only one target market assessment must be required.

3. AEPEYs, when deciding the range of financial instruments and services that they offer or recommend and their respective target markets, they must maintain procedures and measures to ensure compliance with all applicable requirements under Greek law 4514/2018, including those relating to disclosure, assessment of suitability or appropriateness, inducements and proper management of conflicts of interest. In this context, particular care must be taken when distributors intend to offer or recommend new products or there are variations to the services they provide.

4. AEPEYs must periodically review and update their product governance arrangements in order to ensure that they remain robust and fit for their purpose, and take appropriate actions where necessary.

5. AEPEYs must review the investment products they offer or recommend and the services they provide on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. AEPEYs must assess at least whether the product or the service remains consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate. AEPEYs must reconsider the target market and/or update the product governance arrangements if they become aware that they have wrongly identified the target market for a specific product or service or that the product or service no longer meets the circumstances of the identified target market, such as where the product becomes illiquid or very volatile due to market changes.

6. AEPEYs must ensure that the compliance function oversees the development and periodic review of product governance arrangements, in order to detect any risk of failure to comply with the obligations set out in this article.

7. AEPEYs must ensure that relevant staff possess the necessary expertise to understand the characteristics and the risks of the products that they intend to offer or to recommend, and the services provided, as well as the needs, characteristics and objectives of the identified target market.

8. AEPEYs must ensure that the management body has effective control over the firm's product governance process to determine the range of investment products that they offer or recommend and the services provided to the respective target markets. AEPEYs must ensure that compliance reports systematically include information about the products they offer or recommend and the services provided. The compliance reports must be available to the Hellenic Capital Market Commission on request.

9. The distributors must provide manufacturers with information on sales and, where necessary, information on the above reviews to support product reviews carried out by manufacturers.

10. Where different firms work together in the distribution of a product or service, the AEPEY with the direct client relationship must have the ultimate responsibility to meet the product governance obligations set out in this article. However, intermediary AEPEYs must:

- (a) ensure that the relevant product information is passed from the manufacturer to the final distributor in the chain,
- (b) if the manufacturer requires information on product sales, in order to comply with their own product governance obligations, enable them to obtain, and
- (c) apply the product governance obligations for manufacturers, as relevant, in relation to the service they provide.

CHAPTER IV INDUCEMENTS

Article 11 Inducements

(Article 11 of Delegated Directive 2017/593/EU)

1. AEPEYs, paying or being paid any fee or commission or providing or being provided non-monetary benefit in connection with the provision of an investment or ancillary service to the client must ensure that all the conditions set out in article 24(9) of Greek law 4514/2018 and the requirements set out in paragraphs 2-5 of this paragraph are met at all times.

2. A fee, commission or non-monetary benefit is to be considered to be designed to enhance the quality of the relevant service to the client if all of the following conditions are met:

- (a) it is justified by the provision of an additional or higher level service to the relevant client, proportional to the level of inducements received, such as:
 - (aa) the provision of investment advice on a non-independent basis and the access to a wide range of suitable financial instruments, from third party product providers having no close links with the AEPEY,
 - bb) the provision of investment advice to a non-independent basis combined with:
 - either with an offer to the client, at least on an annual basis, to assess the continued suitability of the financial instruments in which the client has invested, or with another ongoing service that is likely to be of value to the client, such as advice about the suggested optimal asset allocation, or

- (cc) the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of instruments from third party product providers having no close links with AEPEY, together with either i) the provision of added value tools, such objective information tools, helping the relevant client to take investment decisions or enabling the relevant clients to monitor, model and adjust the range of financial instruments in which they have invested, or ii) providing periodic reports of performance, cost and charges associated with the financial instruments,
- (b) it does not directly benefit the recipient firm, its shareholders or employees without tangible benefit to the relevant client,
 - (c) it is justified by the provision of an ongoing benefit to the relevant client in relation to an ongoing inducement.

A fee, commission or a non-monetary benefit must not be considered acceptable, if the provision of the relevant services to the client is biased or distorted as a result of the fee, commission or non-monetary benefit.

3. AEPEYs must fulfil the requirements set out in paragraph 2 on an ongoing basis, as long as they continue to pay or receive the fee, commission or non-monetary benefit.

4. AEPEYs must hold evidence that any fee, commission or non-monetary benefit paid or received by the firm are designed to enhance the quality of the relevant service to the client:

- (a) by keeping an internal list of all fees, commissions and non-monetary benefits received by the AEPEY from a third party in relation to the provision of investment or ancillary services, and
- (b) by recording:
 - (aa) how the fees, commissions and non-monetary benefits paid or received by the AEPEY, or that it intends to use, enhance the quality of the services provided to the relevant clients and
 - (bb) the steps taken in order not to impair the firm's duty to act honestly, fairly and professionally in accordance with the best interests of the client.

5. In relation to any payment or benefit received from or paid to third parties, AEPEYs must disclose to the client the following information:

- (a) prior to the provision of the relevant investment or ancillary service, the AEPEY must disclose to the client the information on the payment or benefit, in accordance with the second subparagraph of article 24 (9) of Greek law 4514/2018. Minor non-monetary benefits may be described in a general way. Other non-monetary benefits received or paid by the AEPEY in connection with the investment service provided to a client must be priced and disclosed separately,
- (b) where an AEPEY was unable to ascertain on an ex-ante basis the amount of any payment or benefit to be received or paid, and instead disclosed to the client the method of calculating that amount, the firm must also provide its clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis, and
- (c) at least once a year, as long as (ongoing) inducements are received by the AEPEY in relation with the investment services provided to the relevant clients, the AEPEY must inform its clients on an individual basis, about the actual amount of payments or benefits received or paid. Minor non-monetary benefits may be described in a general way.

In implementing these requirements, investment firms must take into account the rules on costs and charges set out in article 24(4)(c) of 4514/2018 and in article 50 of Commission Delegated Regulation (EU) 2017/565.

When more AEPEYs are involved in a distribution channel, each of them providing an investment or ancillary service must comply with its obligations to make disclosures to its clients.

Article 12
Inducements in respect of investment advice on an independent basis or portfolio management services
(Article 12 of Delegated Directive 2017/593/EU)

1. AEPEYs, providing investment advice on an independent basis or portfolio management services, must return to their clients any fees, commissions or any monetary benefits paid or provided from any third party or a person acting on behalf of a third party in relation to the services provided to that client as soon as reasonably possible after the receipt. All fees, commissions or monetary benefits received from third parties in relation to the provision of independent investment advice and portfolio management must be transferred in full to the client.

AEPEYs must set up and implement a policy to ensure that any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of independent investment advice and portfolio management are allocated and transferred to each individual client.

AEPEYs must inform the clients about the fees, commissions or any monetary benefits transferred to them, such as through periodic reporting statements provided to the client.

2. AEPEYs providing investment advice on an independent basis or portfolio management must not accept the non-monetary benefits that do not qualify as acceptable minor non-monetary benefits in accordance with paragraph 3.

3. The following benefits must be qualified as acceptable minor on an independent basis:

- (a) information or documentation relating with a financial instrument or an investment service, which are generic in nature or personalised to reflect the conditions of an individual client,
- (b) written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote the new issuance by the company, or where the third party is contractually engaged and is paid by the issuer to produce such material on an ongoing basis, provided that the relationship is fully disclosed in the material and that the material is made available to any AEPEY wishing to receive it or to the general public,
- (c) participation in conferences, seminars and other educational events on the benefits and characteristics of a specific financial instrument or an investment service,
- (d) hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference or other educational events mentioned under point (c) , and
- (e) other minor non-monetary benefits which the Hellenic Capital Market Commission deems capable of enhancing the quality of the service provided to a client and, having regard to the total level of benefits provided by one entity or group of entities, are of a scale and nature that are unlikely to impair compliance with an AEPEY's duty to act in the best interest of the client.

Acceptable minor non-monetary benefits must be reasonable and proportionate and of such a scale that they are unlikely to influence the AEPEY's behaviour in any way that is detrimental to the interests of the relevant client.

Disclosure of minor non-monetary benefits must be made prior to the provision of the relevant investment or ancillary services to clients.

In accordance with the article 11 (5) (a), the minor non-monetary benefits may be described in a generic way.

Article 13
Inducements in relation to research
(Article 13 of Delegated Directive 2017/593/EU)

1. The provision of research by third parties to AEPEYs providing the portfolio management service or other investment or ancillary services to clients must not be regarded as an inducement, if it is received in return for either of the following:

- (a) direct payments by the AEPEY out of its own resources,
- (b) payments from a separate research payment account controlled by the AEPEY, provided the following conditions relating to the operation of the account are met:
 - (aa) the research payment account is funded by a specific research charge to the client,
 - (bb) as part of establishing a research payment account and agreeing the research charge with their clients, AEPEYs set and regularly assess a research budget as an internal administrative measure,
 - (cc) the AEPEY is held responsible for the research payment account,
 - (dd) the AEPEY must regularly assess the quality of the research purchased, based on robust quality criteria and on its ability to contribute to better investment decisions.

With regard to point (b) of the first subparagraph, where an AEPEY makes use of the research payment account, it must provide the following information to clients:

- (a) before the provision of an investment service to clients, information about the budgeted amount for research and the amount of the estimated research charge for each of them,
- (b) annual information on the total cost that each of them has incurred for third party research.

2. Where an AEPEY operates a research payment account, upon request by their clients or the Hellenic Capital Market Commission, must provide a summary of the providers paid from this account, the total amount they were paid over a defined period, the benefits and services received by the AEPEY, and how the total amount spent from the account compares to the budget set by the firm for that period, noting any rebate or carry-over if residual funds remain in the account. For the purposes of point (b) (aa) of paragraph 1, the specific research charge must:

- (a) only be based on a research budget set by the AEPEY for the purpose of establishing the need for third party research in respect of investment services rendered to its clients, and
- (b) not to be linked to the volume or/and the value of transactions executed on behalf of the clients

3. Every operational arrangement for the collection of the client research charge, where it is not collected separately, but together with the transaction commission, must indicate a separately identifiable research charge and must fully comply with the conditions set out in point (b) of the first subparagraph of paragraph 1 and in the second subparagraph of paragraph 1.

4. The total amount of research charges received may not exceed the research budget.

5. AEPEY must agree with clients, in the firm's investment management agreement or general terms of business, the research charge, as budgeted by the firm and the frequency with which it will be deducted from the resources of the client over the year. Increases in the research budget must only take place after the provision of clear information to clients about such intended increases. If there is a surplus in the research payment account at the end of a period, the firm must have a process to rebate those funds to the client or to offset it against the research budget and charge calculated for the following period.

6. For the purposes of the point (b) (bb) of the first subparagraph of paragraph 1, the research budget must be managed solely by the AEPEY and must be based on a reasonable assessment of the need for third party research. The allocation of the research budget to purchase third party research must be subject to appropriate controls and senior management oversight to ensure it is managed and used in the best interests of the firm's clients. Those controls must include a clear audit trail of payment to research providers and how the amounts paid were determined with reference to the quality criteria referred to in paragraph 1 (b) (dd). AEPEYs must not use the research budget and the research payment account to fund internal research.

7. For the purposes of point (b) (cc) of paragraph 1, the AEPEY may delegate the administration of the research payment account to a third party, provided that the arrangement facilitates the purchase of third party research and payments to research providers, in the name of the AEPEY, without any undue delay in accordance with the AEPEY's instructions.

8. For the purposes of point (b) (dd) of paragraph 1, AEPEYs must establish all necessary elements in a written policy and provide it to their clients. It must also address the extent to which research purchased through the research payment account may benefit clients' portfolios, including, where relevant, by taking into account investment strategies applicable to various types of portfolios, and the approach the AEPEY will take to allocate such costs fairly to the various clients' portfolios.

9. An AEPEY providing execution services must identify separate charges for these services that only reflect the cost of executing the transaction. The provision of each other benefit or service by the same AEPEY to investment firms, established in the Union must be subject to a separately identifiable charge; the supply of and charges for those benefits or services must not be influenced or conditioned by levels of payment for execution services.

Article 14
Entry into force
(Article 14 of Delegated Directive 2017/593/EU)

1. The decision shall enter into force as of its publication in the Government Gazette.
2. The provisions hereof do not cause for any expenses in the State Budget.
3. The present decision must be published in the Government Gazette.

The Secretary

Alexandra Ninasiou

The 1st Vice-Chairman

Nikolaos Troullinos

Dimitrios Avgitidis

The members

Socrates Lazaridis

The 2nd Vice-Chairman

Xenophon Avlonitis

Ioanna Seliniotaki