

A large, blue, 3D geometric sphere composed of interconnected cubes and lines, resembling a molecular or network structure, is positioned in the upper right quadrant of the page.

Greece

Regulation

FUNDS AND FUND MANAGEMENT 2009

2.1 Type of funds

There are two main collective investment schemes (UCITS) in Greece:

- open-ended funds (in the form of mutual funds)
- close-ended funds (in the form of portfolio investment companies)

Open-ended funds are mutual funds that may consist of transferable listed securities, cash, other liquid financial assets (specified in the relevant legislation) and investments in real estate (only for the real estate mutual funds). Mutual funds are managed by mutual fund management companies (MFMCs), which can manage more than one mutual fund. Mutual funds belong to investors and are divided into units. MFMCs are obliged to buy back units when investors wish to sell them and to create new units when new investors wish to participate in the funds. Any further transfer of units is invalid with the exception of the transfer of the units between spouses and relatives of first and the second degree straight line.

Closed-ended funds in Greece are basically organized as portfolio investment companies. Portfolio investment companies are corporations in the form of SA companies listed on the Athens Stock Exchange (ATHEX) whose sole corporate objective is the management of portfolios of transferable securities. The basic difference between open-ended and closed-ended funds is that the latter is a legal entity issuing a specific number of shares, which are traded on the ATHEX.

According to Greek law, UCITS may invest mainly in transferable securities, which are listed on the main and parallel stock exchange of Greece and other EU Member States, and in the main and parallel markets of non-EU Member States, provided they are approved by the Capital Market Committee (CMC). Transferable securities consist of:

- shares in companies and other securities equivalent to shares in companies.
- bonds, treasury bills, and other forms of debt securities.

- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange.

Mutual funds may also invest in other liquid financial assets, which are set out under item 2.4 below.

Law 2778/1999 introduced a new type of mutual fund, which may invest mainly in real estate and also provided for close-ended funds (portfolio investment companies), which may invest in real estate, in securities, and in other movables destined to serve the needs of the company.

Law 2992/2002 introduced a new type of mutual funds that is, closed-ended funds investing in companies.

2.2 Laws

Collective investment schemes in the form of portfolio investment companies are regulated by Law 3371/2005 as in force. Law 3371/2005 creates a regulatory framework for close-ended funds (articles 27-40). Collective investment schemes in the form of mutual funds are regulated by Law 3283/2004 which incorporates directive 2001/107/EEC and directive 2001/108/EEC of the European Parliament and of the Council of 21 January 2002 for the amendment of Directive 85/611/EEC for the coordination of laws and administrative provisions of certain UCITS in relation to the regulation of the management companies, the simplified prospectus and the investments of UCITS, as well as directive 2000/64/EEC of the European Parliament and of the Council of 7 November 2000 for the amendment of the Directives of the Council 85/611/EEC, 92/49/EEC, 92/96/EEC, and 93/22/EEC concerning the exchange of information with third countries. In addition, decision No. 317/2004 of the CMC sets out the fund structures allowed for open-ended funds (see the relevant section below), as recently amended by decision No 378/2006 of the CMC. Law 2778/1999, as amended by Laws 2992/2002 and 3581/2007, regulates real estate mutual funds, and real estate portfolio investment companies. Finally, Law 2992/2002, as amended by Law 3470/2006 introduced the new investment tool of close-ended mutual funds investing in companies.

Regulators

Most of the regulatory powers under Law 1969/91, Law 3283/04, and Law 3371/05 have been delegated to the CMC. The CMC has been empowered by law to issue administrative regulatory acts such as:

- increasing the minimum capital requirement of MFMCs and portfolio investment companies.
- stipulating the securities in which MFMCs can invest. The CMC, in its decision no. 317/2004, as recently amended by decision no. 378/2006 set

out the structures of mutual funds permitted in Greece. See fund structure below.

- deciding on the terms and conditions upon which MFMCs and portfolio investment companies can conclude loans.
- setting the content of information provided in the annual reports of MFMCs and portfolio investment companies.

Conversion of closed-ended funds into mutual funds

Greek law provides for the conversion of a portfolio investment company into a mutual fund under the following conditions:

- Decision of the general meeting of shareholders of the portfolio investment company
- Authorization from the CMC
- The shareholders of the portfolio investment company will receive, in exchange, units in the open-ended fund
- The portfolio investment company's liabilities must have been discharged before conversion can take place
- The portfolio investment companies are stricken from the companies registrar
- The CMC can regulate any other particular matter relating to the liquidation of the portfolio investment company

Tax is not imposed on the mutual fund or its unitholders as a result of the conversion.

Units in mutual funds

An MFMC may not allocate units in a mutual fund prior to obtaining the license of establishment of the fund and before the relevant custodian bank has submitted to the CMC a declaration that the fund's assets have been deposited with the said custodian bank. Participation in the mutual fund is evidenced by the registration of the units and the investor's data in the MFMC's electronic records file or if the units are issued in an organized stock market, by the registration of the units and the investor's data in the dematerialized securities system.

Investors may also pledge their units for debts they have assumed. The pledge must be registered at the relevant electronic records file of the MFMC or to the central depository. The units are not transferable with the exception of

transfers between spouses and first or second degree (in straight line) relatives. Units of close-ended mutual funds investing in companies are freely transferable, in which case the new unitholder takes upon all rights and obligations of the transferor arising from the establishment and management act of the mutual fund. The transfer shall take effect from its notification to the Manager of the fund and this notification is annexed to the establishment and management act of the mutual fund. Moreover, the units of the close-ended mutual fund may be pledged according to the provisions of the Greek Civil Code. The pledge is effective against the manager of the fund following its notification to him/her.

The MFMC is obligated to buy back the units should the investor so request. The investor must submit a written request. The value of the unit is paid within five days (15 days for real estate mutual funds) following the filing of the request at the value the unit had on the day of the request.

Investors holding at least 10 percent of a mutual fund may request the MFMC to convene a general meeting of unitholders. The MFMC is obligated to comply within 30 days of a request. Investors in mutual funds are not responsible for any act of the MFMC and the custodian bank.

2.3 Managers, trustees, and custodians

MFMCs are corporations in the form of companies limited by shares (societe anonyme) whose sole objective is the management of mutual funds. MFMCs need authorization from the CMC in order to form mutual funds. In order to set up an MFMC, the following requirements have to be met:

- Minimum share capital is EUR 1,200,000 paid in cash (EUR 2,935,000 in the event of MFMCs managing real estate mutual funds); when the value of the portfolios of the MFMC exceeds EUR 250 million then the MFMC shall be required to provide an additional amount of own funds equal to 0.02 percent of the amount by which the value of the portfolio of the MFMC exceeds EUR 250 million (the required total of the initial capital and the additional amount shall not however exceed EUR 10 million). The MFMC may not provide up to 50 percent of the additional amount as described above if it submits to the CMC a bank letter of guarantee for the same amount which will provide that the amount in question will be paid at first demand to the account of the MFMC.
- Fifty-one percent of the share capital of ordinary MFMCs must be held by:
 - one or more credit institutions, each one having the minimum share capital applicable to credit institutions (currently EUR 18 million) and/or one or more investment companies or insurance companies, each one having a paid up share capital which is 50 percent of the share capital applying to credit institutions;

- one or more holding companies each one having the minimum share capital stated above for credit institutions and the main activity of which is the investment of at least 51 percent of their assets in credit institutions or/and insurance companies, or/and Investment Companies or/and MFMC; or
 - one or more pension funds with a minimum reserve of EUR 3 million.
- Fifty-one percent of the share capital of MFMCs managing real estate mutual funds must be held by one or more credit institutions and/or insurance companies and/or investment services companies, (each one of which having a minimum net equity equal to the minimum share capital applicable to credit institutions, currently set at EUR 18 million), and/or pension funds with a minimum reserve of EUR 2,935,000 and/or one or more state controlled legal entities.
- Certain minimum requirements have to be met relating to the organization, the technical means and the ability of the persons in charge of the management of MFMCs.
- In the event of real estate mutual funds, the participation of companies having as an object the construction or the exploitation of land, buildings, etc. in the capital of the MFMC cannot exceed 20 percent (any company of such a nature cannot have participation over 10 percent).
- Ordinary MFMCs can also be managers of real estate mutual funds if they meet the conditions set out for real estate MFMCs.
- Manager of a close-ended mutual fund investing in companies can be either a corporation (societe anonyme) with share capital of at least EUR 100,000 having as exclusive object the administration of closed-ended mutual funds investing in companies, or a business licensed by the competent authorities of a Member State of the European Economic Area to manage similar venture capital vehicles or an investment company of Law 2396/1996.

The main duties and obligations of MFMCs can be summarized below:

- to deposit within one month of receiving the authorization from the CMC (six months in the event of real estate funds), the assets of the mutual fund at a custodian bank, (except for investments in land);
- to issue the units of the mutual fund;
- to manage the assets of the mutual fund using technical means;
- to evaluate the net worth of the mutual fund every working day;

- to issue new units when there are interested investors that wish to participate;
- to represent the investors in the mutual fund either in or outside court;
- to buy back the units within five days from the day the investor submits a written request.
- to distribute profits to the investors;
- to draft the full and simplified prospectus for each mutual fund;
- to draft yearly and half yearly reports; and
- to draft the internal regulations of the mutual fund.

MFMCs may assign one or all of their mutual funds to another MFMC provided they have approval from the CMC. The new MFMC has the same obligations and rights as those of the old one.

The CMC may revoke its authorization and place the MFMC in liquidation in the following situations:

- The MFMC does not make use of its authorization within 12 months from the date of its issuance or expressly renounces its authorization or has ceased its activities for a period more than six months.
- The MFMC obtained its authorization based on false declarations or by any other irregular means.
- The requirements necessary for the establishment of the MFMC no longer exist.
- The MFMC no longer complies with the relevant provisions of Law 2396/96 if its authorization also covers portfolio management services.
- When the MFMC fails to observe important legal provisions.

In order for the CMC to provide its authorization for the establishment of a mutual fund, the CMC must be notified and must approve the managers of the MFMCs and those of the custodian banks so as to ensure that they have the experience and reliability to undertake their duties.

According to Greek law, managers are those persons who represent the MFMC or the custodian bank or those who determine the investment strategy of the mutual fund. Should the CMC decide that the managers no longer have the experience and reliability necessary, it may request the removal of those managers in a reasonable period of time and in the event of non compliance, the CMC may assign a temporary trustee or revoke its authorization and place

the MFMC in liquidation. The MFMC is responsible to the investors for any act of negligence on the part of its managers.

Custodians

Mutual funds and portfolio investment companies are obligated to hold their transferable securities in a bank that has its registered address in Greece or a branch in Greece on condition that its registered address is situated in a Member State.

With respect to mutual funds, the custodian banks co-sign the regulation of the mutual fund the annual and semi-annual reports and ensure that the following are concluded according to the law and the fund internal regulation:

- Issue, sale, purchase, payment, and cancellation of units
- Assessment of the value of the units in the open-ended fund
- Distribution of profits
- Payment of consideration for the assets of a mutual fund within the deadlines provided
- Registration of the relevant transactions relating to land with the competent land registry

The custodian is responsible for negligence in the fulfillment of its duties to the MFMC and the investors of the mutual fund. The custodian is obligated by law to carry out all instructions given to it by the MFMC if they are in compliance with Greek law and the funds internal regulation.

Evaluation of funds and payment of fees and charges

The values of assets in a mutual fund are calculated as follows:

- For transferable securities listed and traded on the ATHEX or EU stock exchange, the value is calculated based on the daily closing price. In the event that the securities are listed in a foreign non-EU stock exchange and the time difference does not allow for the aforementioned valuation, the value is calculated on the basis of the closing price of the previous working day of the said stock exchanges.
- For derivatives listed and traded on the ATHEX or EU derivatives exchange, the value is calculated based on the daily closing price or in the event such is not defined, the last price announced by the exchange. In the event that the derivatives are listed in a foreign derivatives exchange outside the EU and the time difference does not allow for the aforementioned valuation,

the value is calculated on the basis of the price of the previous working day of the said derivative exchanges.

- For non-listed transferable securities, the value is calculated according to decision 350/31.8.2005 of the CMC.

The net value of mutual funds is calculated by taking the value of its assets, as explained above, and subtracting the fees paid to the MFMC, the custodian bank and the member of the stock exchanges, the operational expenses incurred by the mutual fund and the profits distributed to investors at the valuation of 31 December. The net value of mutual funds divided by the number of units gives the value of each unit.

Greece has adopted the dual price mechanism (bid/offer spread) for the sale and purchase of units which represents the commission paid to the MFMC. The commission to buy into the fund is normally 0 to 5 percent on the net value of the unit and the commission to buy out of the fund is 0 to 2 percent.

The net value of mutual funds and the bid/offer spread are calculated each working day and published. Greek law does not provide for a ceiling for the fees paid to managers of mutual funds.

The value of real estate is calculated quarterly by the MFMC, which takes into account a report carried-out by a chartered evaluator.

The CMC may, pursuant to its decisions, set the rules for reporting the evaluation of assets in the portfolio of a portfolio investment company, according to the rules applicable to mutual funds.

The assessment of real estate by real estate portfolio investment companies is undertaken each financial year by a chartered accountant, who takes into account the report issued by the chartered value.

2.4 Investment restrictions

The investment restrictions for mutual funds are set out in Law 3283/2004 and for portfolio investment companies in Law 3371/2005, whereas the investment restrictions for both real estate mutual funds and real estate portfolio investment companies are set out in Law 2778/1999, as amended by Laws 2992/2002 and 3581/2007.

Investments	Restrictions for mutual and real estate mutual funds	Restrictions for portfolio investment companies and real estate portfolio investment companies
1 transferable securities of the same issuer (mutual funds and portfolio investment	up to 10 percent of the fund's equity (generally) and up	up to 10 percent of the company's portfolio

Investments	Restrictions for mutual and real estate mutual funds	Restrictions for portfolio investment companies and real estate portfolio investment companies
<p>companies may also invest in money markets that is, in instruments that are normally dealt in on the money market which are liquid and have a value which can be accurately determined at any time)</p>	<p>to 20 percent for mutual funds that replicate a stock exchange index upon conditions</p> <p>in the case of real estate mutual funds the right to invest in transferable securities has been abolished by Law 3581/2007</p>	<p>in the case of real estate portfolio investment companies, up to 10 percent of the maximum allowed percentage of investments in securities. Please note that the right to invest in transferable securities has been abolished by Law 3581/2007, however, the law has not abolished the provision for the 10 percent restriction referred to above, therefore, although being in force, this provision cannot apply in practice.</p>
<p>2 transferable securities of more than one issuer whereby the funds have invested more than 5 percent of their equity in each issuer (mutual funds and portfolio investment companies may also invest in money markets)</p>	<p>up to 40 percent of the fund's equity (generally)</p> <p>in the case of real estate mutual funds the right to invest in transferable securities has been abolished by Law 3581/2007</p>	<p>no limitations (generally)</p> <p>not applicable for real estate portfolio investment companies</p>
<p>3 transferable securities issued by the same issuer when the issuer or guarantor is an EU Member State, or non EU Member State if it has supervisory provisions similar to those in the EU, and international organizations where one or more Member States participate under certain conditions (mutual funds and portfolio investment companies may also invest in money markets)</p>	<p>up to 35 percent of the fund's equity and up to 100 percent under certain conditions (generally)</p> <p>in the case of real estate mutual funds the right to invest in transferable securities has been abolished by Law 3581/2007</p>	<p>up to 35 percent of the company's portfolio and up to 100 percent under certain conditions (generally)</p> <p>in the case of real estate portfolio investment companies, up to 50 percent of the maximum percentage of investment in securities of the same issuer. The comment referred to</p>

Investments	Restrictions for mutual and real estate mutual funds	Restrictions for portfolio investment companies and real estate portfolio investment companies
		above under item one for real estate portfolio investment companies similarly applies
4 bonds issued by credit institutions established in EU Member States and are subject to a special state control	up to 25 percent of the fund's equity (generally) ; if the fund invests more than 5 percent of its equity in bonds of the same issuer, such investments cannot exceed 80 percent of the fund's equity since as per Law 3581/2007 real estate mutual funds cannot invest in transferable securities, they are not entitled to invest in bonds (as they fall within the concept of transferable securities)	portfolio investment companies can invest up to 10 percent of the total amount of bonds of the same issuer our comment in item 1 above for real estate portfolio investment companies similarly applies
5 units in mutual funds and units in other forms of UCITS according to Directive 85/611/EEC or other UCITS outside the EU under certain conditions	up to 10 percent of the fund's equity (generally) and up to 20 percent if the investment policy of the mutual fund is to invest in mutual funds or other UCITS (per mutual fund or UCITS) in the case of real estate mutual funds this kind of investment has been abolished by Law 3581/2007	portfolio investment companies can invest up to 10 percent in units of one mutual fund or one UCITS in the case of real estate portfolio investment companies, up to 3 percent of the maximum allowed percentage of investments in securities in one fund and 5 percent in more than one fund. The comment in item one above for real estate portfolio investment companies similarly applies.

Investments	Restrictions for mutual and real estate mutual funds	Restrictions for portfolio investment companies and real estate portfolio investment companies
6 shares of the same issuer with voting rights	up to 10 percent of the shares in the case of real estate mutual funds at least 90 percent of the shares of a societe anonyme involved only in the exploitation of real estate (according to the provisions of the recent Law 3581/2007)	up to 10 percent of the shares in the case of real estate portfolio investment companies at least 90 percent of the shares of a societe anonyme involved only in the exploitation of real estate (according to the provisions of the recent Law 3581/2007)
7 shares of the same issuer without voting rights	up to 10 percent of the shares same provisions as previous item regarding real estate mutual funds since Law 3581/07 does not make any distinction regarding voting rights	up to 10 percent of the shares same provisions as previous item regarding real estate portfolio investment companies since Law 3581/07 does not make any distinction regarding voting rights
8 deposits with credit institutions repayable on demand	20 percent of the funds equity in deposits of the same credit Institution for real estate mutual funds such kind of investments has been abolished	no limitation (generally) for real estate portfolio investment companies such kind of investments has been abolished
9 financial derivative instruments dealt in on a regulated market and/or OTC derivatives under conditions	the exposure against each counter party in an OTC derivative transaction cannot exceed 10 percent of the fund's assets if the counter party is a credit institution and 5 percent if not a credit institution (in the case of	the exposure against each counter party in an OTC derivative transaction cannot exceed 10 percent of the fund's assets if the counter party is a credit institution and 5 percent if not a credit institution (in the case of portfolio investment companies only)

Investments	Restrictions for mutual and real estate mutual funds	Restrictions for portfolio investment companies and real estate portfolio investment companies
mutual funds only)		

With respect to mutual funds and portfolio investment company's further combination restrictions concerning the above, investments also apply.

In case of violation by MFMCs of the above restrictions, the agreements entered into by the MFMC are valid but the MFMC has a reasonable period of time to comply with the legal provisions regarding investment restrictions.

In relation to the real estate mutual funds and real estate portfolio investment companies, the following additional restrictions apply:

- Real estate not fully owned by a real estate mutual fund or portfolio investment company may not exceed 10 percent of the total investments in real estate.
- The value of each piece of real estate is not allowed to exceed at the time of acquisition 15 percent of the total value of the real estate funds' assets (or 25 percent if it is land that can be divided into many independent pieces of land). As concerns real estate portfolio investment companies, the value of each piece of real estate is not allowed to exceed at the time of acquisition 25 percent of its investments.
- Real estate mutual funds and real estate portfolio investment companies are not allowed to acquire real estate that is recorded in insurance companies' reserves.
- Real estate portfolio investment companies must invest at least 80 percent of their assets in real estate.
- For real estate portfolio investment companies, investments in securities should be placed in the securities issued by at least six different issuers. As per the comment under item one of the above table regarding real estate portfolio investment companies, this provision, although in force, cannot apply in practice, since Law 3581/2007 abolished the right of these companies to invest in transferable securities.
- Real estate portfolio investment companies can only invest in transferable securities issued by real estate construction or exploitation companies up to 20 percent of their investment in transferable securities. As per the comment under item one of the above table regarding real estate portfolio investment companies, this provision, although in force, cannot apply in practice, since Law 3581/2007 abolished the right of these companies to invest in transferable securities.

In relation to closed-ended mutual funds investing in companies, the following additional restrictions apply:

- It is not allowed to invest more than 20 percent of its assets on transferable securities of the same issuer.
- It is not allowed to invest in transferable securities of an issuer that is an affiliated company, according to Law 2190/1920, to one of the unitholders.
- It is not allowed to invest in transferable securities of an issuer, in case an individual unitholder, his/her spouse or relatives up to the third rank, or jointly unitholders, their spouses or relatives up to the third rank, or jointly relatives of the unitholder up to the third rank hold at least 25 percent of the share capital of such issuer.

2.5 Borrowing

Portfolio investment companies are allowed to borrow up to 35 percent of the current value of their portfolio for their investments.

MFMCs are allowed to conclude loans, on behalf of their mutual funds, from banks, up to 10 percent of the mutual fund's equity, under the following two conditions:

- it is used to pay investors for units which are being sold back to the MFMC; and
- the loan is more beneficial for the fund than the sale of transferable securities.

For security of the above loans, pledges can be made against transferable securities of the mutual fund.

Real estate mutual funds are allowed to conclude loans and other credits, if the amount does not exceed 50 percent of the total investment in real estate. Loans are provided by credit institutions and can be used for the development or acquisition of real estate. Security (pledges and mortgages) can be granted in relation to loans/credits.

Real estate portfolio investment companies are allowed to conclude loans and give credits, if the amount of credit/loan does not exceed 50 percent of the total investment in real estate. Loans are provided by credit institutions and can be used for the development or acquisition of real estate. Security (pledge/mortgage) can be granted in relation to the loans/credits.

2.6 Accounts and prospectus

The MFMC provides free of charge, a simplified prospectus and a full prospectus (upon request) to every potential investor in a mutual fund. A potential investor may also request the regulation of the mutual fund, as well as the last yearly or semi-yearly report.

According to Greek law, the full prospectus must contain inter alia:

- Information concerning the mutual fund, including:
 - name of fund, incorporation date, and information of its license;
 - legal nature of the right the units represent, form of the unit title, and nominal value;
 - purpose of the fund, its investment policy, restrictions and management strategy of the fund, historical performance, the profile of the investor it is designed for, and degree of investment risks;
 - place where the funds are made available to the public, the prospectus, and the annual and semi-annual reports;
 - procedure and terms of participation and sale of units of the fund, terms of payment, issuance of units, the postponement of sale and the right to vote (if any);
 - valuation of the assets of the fund, estimate of the value (acquisition, sale price and net value), the place where such information is published;
 - commissions, expenses, and remuneration concerning the fund;
 - lending of the fund; and
 - taxation of the fund and the unitholders.
- Information concerning the MFMC, including:
 - information of the MFMC according to article 7a of 2190/1920;
 - members of the board of directors and executives of MFMC;
 - information of the certified auditors;

- o the name of the investment consultant and/or the manager of the mutual fund as well as, the main points of the agreement between MFMC and the above persons; and
 - o other UCITS represented or managed by MFMC.
- Information concerning the custodian, including:
 - o name, legal form, registered seat
- Other, such as:
 - o categories of investments and whether there may be investment in derivative products

In relation to real estate mutual funds, some additional supplementary information is required which among others, include:

- the announcement of the relevant authorities for the incorporation of the MFMCs;
- the identity of the members of the investments' committee and the custodian;
- the name of the external investments' consultant and the contract between him/her and the MFMC;
- regulation of the fund; and
- investment plan.

According to Greek law the simplified prospectus must contain inter alia:

- brief presentation of the UCITS containing the following:

The Member State of incorporation/registration, its duration and incorporation information, the management company, the custodian, the auditors, as well as the financial group promoting it.

- Investment information of the UCITS containing the following:

A short definition of its objectives, the investment policy and a brief assessment of the risk profile, a historical performance and a warning that this is not an indicator of future performance, as well as the profile of the typical investor the fund is designed for.

- Economic information, indicating the following:

The tax regime, the entry and exit commissions, as well as other possible expenses or fees, distinguishing between those to be paid by the unitholder and those to be paid out of the fund's assets.

- Commercial information indicating the following:

The way to purchase or sell the units, the way dividends are distributed, as well as the frequency and where/how prices are published or made available.

- Additional information, indicating the following:

The possibility to obtain free of charge prior or after the conclusion of the contract the full prospectus, the annual and half-yearly reports, the competent authority, an indication of a contact point (person/department, timing, etc.) where additional explanations may be obtained if needed, as well as the publishing date of the prospectus.

The CMC may decide that the prospectus must contain supplementary information. The CMC must also approve the prospectus before it is distributed to the public.

In relation to closed-ended mutual funds investing in companies, the following information is required to be included in the annual report which is distributed by the managing company to the unitholders within three months from the end of the financial period (that is, 31 December of each year):

- recording of the fund's status, which includes details of the nature and quantity of securities, their acquisition price, the total value of the securities, the available assets in deposits, claims, liabilities, as well as the net value of the fund's assets;
- detailed profit and loss account including annual return by category, profit or loss deriving from the sale of securities, as well as the expenses by category;
- the distributed and reinvested profits; and
- potential changes of the unitholders.

Mutual funds are also governed by fund internal regulations which inter alia must contain:

- name of the mutual fund, the custodian bank and the managing MFMC;
- purpose of the mutual fund as well as its investment policies, investment restrictions and methods of portfolio management, the degree of portfolio investment risks and the characteristics of the investor to whom the mutual fund is addressed;

- the guarantee of the equity of the mutual fund, if any;
- fund structure it will invest in;
- value of the units of the mutual fund at the time of establishment;
- commission of the MFMC and the fees paid to the custodian bank;
- time and procedure for the distribution of profits;
- bid and offer spread for the sale and purchase of units; and
- duration of the open-ended fund.

The MFMC may amend the provisions of the fund internal regulation. In order to do so, it must first acquire the approval of the CMC.

Closed-ended mutual funds investing in companies are also governed by the establishment and management contract (fund internal regulation) which compulsorily contains:

- the name, duration and capital of the fund;
- the purpose and investment policy;
- the identity of each unitholder, the value, and his/her equivalent equity unit;
- the method to be followed for the payment of the value of the share on behalf of the unitholders, the process for the modification of the capital of the fund and the terms for the participation of new unitholders;
- the identity of the manager and the terms for the exercise of its duties and especially the procedure to be followed for the selection of the investments and the authority of the managing company to conclude loans and provide guarantees on the name and on behalf of the fund and potential limitations of this powers;
- the remuneration of the manager;
- the identity of the custodian and the terms of custody of the assets of the fund, as well as the remuneration of the custodian;
- the methods to be followed for the distribution of profits and of the investment liquidation proceeds;
- the procedure to be followed for the amendment and dissolution of the fund regulation, the reasons for termination as well as the procedure to be followed for the replacement of the managing company and the custodian;

- the procedure to be followed for the transfer of units;
- the unitholders rights and their exercise as well as the procedure to be followed for the examination of the managing company and the custodian; and
- the dissolution and liquidation procedure of the fund.

At the end of each financial year of a mutual fund, the MFMC must prepare the annual report of the fund. This report must include the specific information stipulated by the relevant law. In addition to the above annual report, the MFMC must, at the end of the first six-month period of every calendar year prepare a report that must include specific information concerning the past six months.

The above reports must be submitted to the CMC. They must be audited by members of the Body of Certified Auditors and be available to the unitholders within the first two months after the expiry of every financial year or six-month period respectively. These reports are also available to every interested party. At the end of each financial year, the consolidated accounts of the assets of the fund, the profit and loss account and the appropriation account are published in one daily political newspaper and in a daily financial newspaper.

2.7 Supervision

The supervisory authority in Greece for the authorization of mutual funds and portfolio investment companies as well as MFMCs is the Capital Market Committee (CMC) which is currently located at 1 Kolokotronis and Stadiou Str. Athens. The setting up of collective investment schemes as well as any amendments in the articles of association, the share capital, the composition of the board of directors and any changes in persons that determine the management and form the investment strategy of collective investment schemes have to be approved by the CMC. The CMC also monitors the reliability and experience of all persons managing collective investment schemes and may refuse authorization or revoke it at any time should it judge that the managers do not possess the qualifications and qualities necessary to manage open-ended and closed-ended funds. The CMC may also impose penalties on MFMCs, custodian banks, representatives of the MFMC, and UCITS that hold units or shares in Greece for any violation of the provisions of Law 3283/2004 or decisions by the CMC, that may amount up to EUR 600,000 and up to EUR 1,200,000 for second time violators. The law also provides for criminal punishment of at least three months imprisonment for individuals and pecuniary punishment from EUR 50,000 to EUR 300,000. For any violation of the provisions of Law 3371/2005 or decisions by the CMC, the CMC may impose penalties on portfolio investment companies and custodian banks, that may amount up to EUR 600,000 and up to EUR 1,200,000 for second time violators and on members of the Board of Directors, managers and employees

of portfolio investment companies that may amount up to EUR 100,000 and up to EUR 200,000 for second time violators.

The CMC may assign the auditing of MFMCs with regard to the management of mutual funds to certified auditors. Annual reports prepared by MFMCs are audited by certified auditors and subsequently submitted to the CMC.

Close-ended mutual funds investing in companies are not subject to the supervision of the CMC. The Ministry of Finance and National Economy is competent to issue the decision stating the regulatory authority for close-ended mutual funds.

2.8 Fund ownership

No restrictions apply for real estate mutual funds but the wording of the law appears to imply that unitholders should be more than one person. Portfolio investment companies (having the legal form of *societe anonymes*) may be established by only one shareholder, according to a recent amendment in the legislation for *societes anonymes*. Following compulsory listing on the stock exchange the number of shareholders is inevitably increased.

2.9 Fund structure

Apart from real estate funds already mentioned above, decision no. 317/2004, as amended by decision no. 378/2006 of the CMC, sets out the following fund structures permitted in Greece for mutual funds (page 122):

- **money market funds:** Funds falling into this category must have 65 percent of their net assets invested in the money market. It is one of the most popular fund structures in Greece. These funds are not allowed to invest in shares.
- **bond funds:** Bond funds invest 65 percent of their net assets in long term Greek government bonds, bonds issued by local authorities and state organizations, zero coupon bonds, corporate bonds, junk bonds, and bonds issued by foreign state organizations. Bond funds can invest a small percentage (up to 10 percent of their net assets) in shares.
- **stock funds:** Funds falling into this category must have 65 percent of their net assets invested in shares. Depending on how risk adverse investors are, they may choose from a variety of funds such as aggressive growth funds, small company funds, growth funds, growth and income funds, and equity income funds. The CMC has also recognized certain specialized funds such as sector funds, utility funds, socially responsible funds and local funds. Law 3283/2004 however forbids precious metals funds.
- **mutual funds** which replicate the stock exchange index: Funds falling into this category should invest at least 95 percent of their net assets in shares

included in such index and financial derivatives, the underlying asset of which is such index. The percentage of the investment in the aforementioned shares should be at least 65 percent of the mutual fund's net assets. In any case, the percentage of the investment in shares and financial derivatives should not cumulatively exceed 100 percent of the mutual fund's net assets.

- **mixed funds:** This is a very flexible fund aiming at both the generation of income and capital gains. They invest in bonds, shares, and capital markets in Greece and abroad.
- **specialized funds:** The CMC also recognizes the following funds: option income funds, index funds, and fund of funds.

Hedge funds do not exist in Greece; however discussions are currently in progress at the CMC for their future introduction.

2.10 Stock exchange

Portfolio investment companies have the obligation, within three months of incorporation, to file an application to list their shares on the ATHEX. If it fails to do so the CMC revokes its authorization unless the closed-ended fund acquires an extension from the CMC.

Real estate portfolio investment companies have the obligation, within one year of incorporation, to file an application to list their shares on the ATHEX or any other organized market, as defined by law. If they fail to do so the CMC revokes their authorization, unless they acquire an extension from the CMC.

2.11 Bank secrecy

Greece has money-laundering laws.

2.12 Fund set-up

The minimum share capital of portfolio investment companies is EUR 10 million.

The minimum share capital of real estate portfolio investment companies is EUR 29,350,000.

The value of the assets of an ordinary mutual fund (according to Law 3283/2004) must be at least EUR 1,200,000 whereas the value of the assets of a real estate mutual fund (according to Law 2778/1999) must be at least EUR 29,350,000.

The minimum share capital of an MFMC for ordinary mutual funds, according to Law 3283/2004, is EUR 1,200,000 (and EUR 1,500,000 in case MFMC provides also specific investment services according to recent Law 3606/2007) which must be paid in cash, whereas the minimum share capital of an MFMC for real estate mutual funds, according to Law 2778/1999, is EUR 2,935,000.

The value of the assets of a close-ended mutual fund investing in companies must be at least EUR 3 million.

In order to set up a fund in Greece two licenses of the CMC are required; one for the establishment of the MFMC and a second one, subsequently, for the establishment of the mutual fund itself.

On the other hand, for portfolio investment companies, the procedure is simpler, as only one license of the CMC is required for the establishment of the company.

However, it is very difficult to estimate the exact time required in order to set up a fund in Greece as it requires registration with other authorities as well (portfolio investment and MFMCs with Ministry of Trade and tax authorities).

In order to set up a Greek mutual fund, professional fees will amount approximately to EUR 9,000 to carry out the necessary procedure at the CMC to obtain the relevant license for establishment of the mutual fund and the relevant license for establishment of the MFMC. A charge of EUR 1,500 approximately, is payable to the CMC for examining the application for the granting of a license for the establishment of a mutual fund whilst the corresponding charge for examining the application for the granting of a license to the MFMC amounts to EUR 3,000 to EUR 4,000, approximately. Professional fees for setting up a MFMC will amount approximately to EUR 10,000. Third party fees for incorporation of a MFMC amount approximately to EUR 16,500 (these charges are calculated on the basis of the minimum share capital of EUR 1,200,000). Third party fees include notary public fees, stamp duty, publication fees, capital concentration tax, contribution to the Competition Committee etc. Lawyer's fees are also charged and calculated on the amount of the share

capital. The lawyer's fees on the minimum share capital of EUR 1,200,000 will amount to EUR 6,220.

In order to set up a Greek portfolio investment company, professional fees will amount approximately to EUR 6,000 for carrying out the necessary procedure at the CMC to obtain the relevant license. A charge of EUR 4,000, is payable to the CMC for examining the application for the granting of a license for the establishment of a portfolio investment company. Professional fees for setting up a Greek Portfolio Investment Company (for company law purposes) will amount approximately to EUR 9,000. Third party fees for the incorporation of the company will amount approximately to EUR 113,000 (these charges are calculated on the basis of the minimum share capital of EUR 10million). The lawyer's fees on the minimum share capital of EUR 10 million will amount to EUR 30,492.

The above fees apply assuming that no unusual circumstances and/or delays arise.

2.13 Foreign funds

UCITS incorporated and authorized in another EU Member State may, according to Directive 85/611/EEC, which has been incorporated into Greek law, advertise and sell their units or shares in Greece, without authorization from the CMC, if they comply with Greek law. They may carry in Greece, the activity they have been authorized in their Member State, by the establishment of a branch or under the freedom to provide services. It must, however, notify the CMC and submit certain documents. These UCITS must take all measures to ensure payment to those investors residing in Greece. They may also use the same name they use in their home state.

In the event of UCITS incorporated and authorized in non EU Member States, they may sell units in Greece provided they previously obtain authorization from the CMC. The CMC may place, at its discretion and on a case-to-case basis, any term or condition for authorization.

2.14 Bearer shares

According to Greek legislation, the shares of MFMCs for ordinary and real estate mutual funds, portfolio investment companies and real estate portfolio investment companies must be registered.

The property of closed-ended mutual funds investing in companies is divided into equal parts. The participation to the closed-ended mutual funds is evidenced through nominal titles which are issued by the manager of the fund and are signed by the custodian.

2.15 Use of the internet

As a general practice the Internet is not used as a marketing tool for the sale of investment funds in Greece. Therefore, there are no specific legal regulations in Greece.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.