EXCHANGE TRADED FUNDS
(ETFs)

Frequently Asked Questions
(FAQ)

ATHEX
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1. Exchange Traded Funds – Frequently Asked Questions (FAQ)

1.1 What are ETFs?

Exchange Traded Funds (ETFs) are Undertakings of Collective Investments in Transferable Securities (UCITS), which attempt to track the performance of a stock exchange index. ETFs are listed and are traded on a regulated market just like shares and offer investors the opportunity to buy or sell the value of shares, bonds of their underlying indices only through one transferable security. In addition, ETFs combine the flexibility of a stock with the benefits of a diversified portfolio, i.e. the risks involved are reduced by spreading them across a wide portfolio, while its main investment objective is to replicate the return on indices.

1.2 How can I buy or sell ETFs?

Investors may buy or sell ETFs as they would buy or sell any other stock, at any brokerage firm.

1.3 What are the differences between ETFs and ordinary Unit Trusts?

The first significant difference is that in ordinary Mutual Funds investors buy/redeem the units directly from Mutual Fund Management Companies (AEDAK), whilst in the case of ETFs, investors buy and sell these units in the regulated market in which they are listed and traded, at any time during trading hours and at a price which is formed at that particular time in the market. All types of orders that are used in order to buy or sell shares are also used to buy or sell ETFs. On the other hand, the buyer or seller of an ordinary Mutual Fund carries out transactions with the respective AEDAK according to its Net Asset Value (NAV), which is calculated according to the closing price of its underlying shares on each particular date.

Another important difference between ETFs and Ordinary Mutual Funds is that the creation/redemption of ETF units is carried out - as a rule - through a contribution in kind (the underlying values of the tracking index), while in ordinary mutual funds the rule is cash.

By way of indication, the following table is presented below:

	Differences between ETFs and Mutual Funds	
	ETFs	**Index Funds**
Means of buying	Investors may buy ETFs only via the regulated market in which they are listed and traded.	Investors may buy index mutual funds via banks or through the Mutual Fund Management Company only.
Valuation	ETFs are traded constantly (at any time during open hours) on a stock exchange and investors may buy or sell them according to the price that is formed at a specific time in the	Index Mutual Funds are valuated once at the end of the day according to the closing price of shares which constitute the assets.

	market.	
Management	Passive. ETFs Fund Managers carry out any changes in their portfolio only in case there is a change in the composition of the underlying index.	Passive. Index Mutual Fund Managers carry out any changes in their portfolio only in case there is a change in the composition of the underlying index.

1.4 What is the minimum trading unit of an ETF?

The minimum quantity which an investor may buy or sell is one (1) ETF unit.

1.5 Why should one consider investing in an index?

An investment in an index has to do with investing in a 'basket' of shares, which comprise a widely known stock exchange index, allowing in this way to be 'exposed' on market level, to reduce the risks involved via the existence of a diversified portfolio and the minimization of management and operating costs.

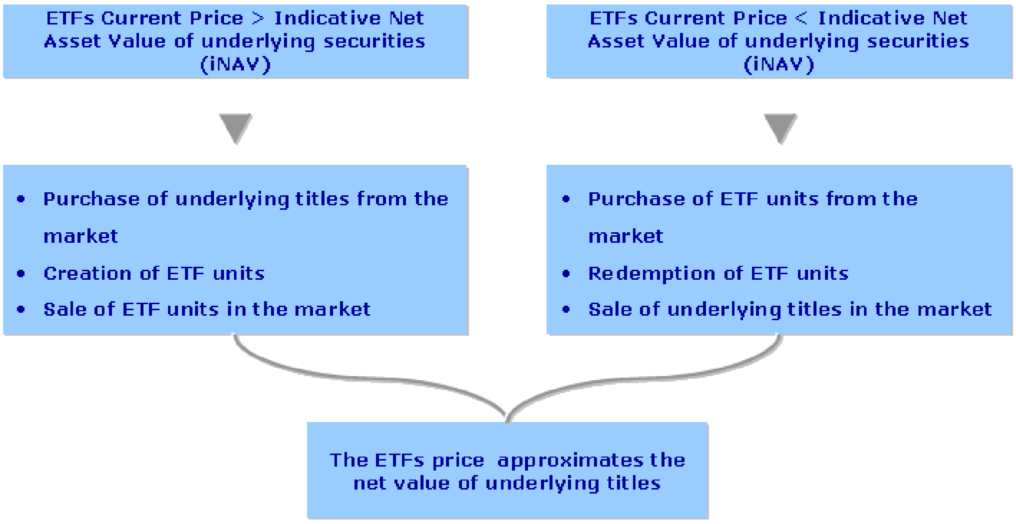
1.6 What are the benefits which derive from the particular structure of ETFs?

The benefits of ETS are summarized as follows:

- Constant trading during open market hours, i.e. investors can buy and sell ETFs at any time during the trading session just like for shares.
- Liquidity through the continuous presence of at least one (1) Market Maker per each ETF product.
- Diversification of the investment portfolio with one single movement. When an investor buys ETF units, he manages to diversify his portfolio with one single movement since he invests indirectly in the basket of stocks comprising the underlying index of the ETF, without the need to buy each stock of the basket separately.
- Low operating cost
- Tax advantages

1.7 What is the relationship between the performance of an ETF and the corresponding performance of its underlying index?

ETFs are designed in such a way as to closely track the performance of their underlying index. This is accomplished via the mechanism called arbitrage, which is carried out by Market Makers of ETFs whenever the appropriate conditions arise. More specifically, whenever there is a difference between the value of the ETF unit (which is formed according to market forces, i.e. supply and demand) and the value of its portfolio (which is determined by the prices of the index's underlying shares the performance of which is tracked by the ETFs at the same period of time), Market Makers by buying or selling underlying titles and at the same time, by creating /redeeming units, according to the case, may 'make' profits, while they simultaneously contribute in balancing the market as indicated in the following diagram:



1.8 Can short selling be applied to ETFs?

Yes, short selling may be applied to ETF units.

1.9 Who are involved in the procedure for the creation/redemption of ETF units and how this is carried out?

The procedure for the creation/redemption of ETF units concerns the primary market, while the persons involved in it are Market Makers on ETFs as well as institutional investors, who have concluded an agreement with the Mutual Fund Management Company (M.F.M.C) in order to carry out the aforesaid actions. The above procedure is implemented on a Creation Unit level (i.e. a minimum quantity of ETFs usually 50,000 units). In addition, the creation/redemption of ETF units is carried out either against transferable securities of the stock exchange index which the said ETF replicates or through cash.

1.10 What is the minimum asset value required in order ETFs to be admitted to trading on the Athens Exchange (ATHEX)?

There is no minimum asset value required in order for ETFs to be admitted to trading on ATHEX.

1.11 In which trading segment ETF units are traded?

ETFs are traded under the trading segment called ***Exchange Traded Funds***.

1.12 What is the trading model of ETF units?

The trading model that is followed for ETFs is similar to that of the Big Capitalization (‘Big Cap’) segment.

1.13 What is the clearing & settlement cycle for ETF units?

The clearing & settlement cycle for ETF units is **T+2**.

1.14 What is the first ETF admitted to the Greek Market?

The first Greek ETF was listed on ATHEX on the 24rth of January 2008 and tracks the FTSE/ATHEX Large Cap Index.

1.15 Is a Market Maker required for the operation of the trading mechanism of ETF units? What are his obligations?

The existence of at least one (1) Market Maker is obligatory and is safeguarded through an agreement which is signed between him and the relevant Mutual Fund Management Company (M.F.M.C.).

A Market Maker's most important obligations include:

- Provision of liquidity.
- Sustaining of the variation of the price of the ETF unit from its iNAV price at a level below than the level described in the Listing Prospectus of ETF.
- Balancing the purchase of ETF units via arbitrage mechanisms.

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