



## PRESS RELEASE

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### **Stock Lending Products Alterations to the Regulatory Framework**

Athens Exchange (ATHEX) and Athens Derivatives Exchange Clearing House (ADECH) have prescribed the following rules, as far as the stock repo and stock reverse repo products are concerned:

#### **1. Shares opted for the stock repo and stock reverse repo.**

Stock Repo and Stock Reverse Repo products exist on shares included into FTSE/ASE-20 and FTSE/ASE Mid 40 Indices, which are underlying to derivatives products traded in ADEX, as well as on shares of the General Price Index. According to this criterion, stock repo and stock reverse repo products are traded on 80 stocks out of the 354 currently traded on the stock market of ATHEX.

#### **2. Maximum borrowing limit of ADECH.**

This limit refers to the maximum number of contracts that ADECH can borrow through stock repo product. Specifically, ADECH can borrow up to 5%, in total, of the outstanding shares of each listed company.

#### **3. Maximum borrowing limit of ADECH per investor account.**

This limit refers to the maximum number of contracts that ADECH can borrow from each investor account through stock repo product. This limit is placed to secure a satisfactory degree of diversification to the number of shares that create the ADECH pool of shares. Specifically, ADECH can borrow up to 10% of its maximum borrowing limit from a specific lender, that is 0.5% of each company's listed shares.

#### **4. Maximum exercise daily limit per investor account.**

This limit refers to the maximum number of shares a lender can call back on a daily basis from ADECH through an exercise. This limit amounts to 5% of ADECH's maximum borrowing limit per account, that is 0.025% of listed shares. This limit is set to avoid short squeeze effects from lenders.

#### **5. Creation of an inventory of shares in ADECH's pool and maximum disposal ratio.**

A limit to the number of shares ADECH can lend has, also, been in force. Specifically, ADECH ceases to lend shares when the amount of shares in the pool is below 20% of the total quantity of shares ADECH has borrowed from lenders. These shares are held by ADECH to be used in case of exercise by lenders. Therefore, the maximum disposal ratio amounts to 80% of the total quantity of shares that ADECH has borrowed, for each share issue.

#### **6. Maximum number of borrowed shares ADECH can lend.**

Upon implementation of the above limits, the maximum amount of shares that ADECH can lend equals 4% of the listed shares (maximum borrowing limit of ADECH times the maximum disposal ratio ( $5\% \times 0.8$ )). Also, the stock lending products margin is taken into account on the position limits of the Clearing Members.

#### **7. Maximum short selling limit.**

The Hellenic Capital Market Commission has also set maximum short selling limit per investor account and per share, which is equal to 1% of the share's free float.

#### **8. The up-tick rule.**

Short selling can be executed only at prices greater than the last traded price (up-tick rule). As a result, short selling cannot be executed as a market order.

The oncoming changes in our regulatory framework are mentioned below and are included to the trading and clearing procedures of stock lending products (Stock Repo, Stock Reverse Repo and Repurchase Agreement). These changes are enacted as a result of the current market conditions and the increased uncertainty observed.

Decisions refer to the following:

1. **The immediate change to the "Disposal Ratio and Interest Rate Algorithm",** so as to:

- the **central lending rate** calculated for the **Stock Reverse Repo** product will be no lower than the 3-month Euribor,
- the **minimum lending rate** for the **Stock Reverse Repo** product be calculated on the basis of the 3-month Euribor and a deviation parameter to it. A preliminary deviation of -0.5% is suggested.

It is reminded that the algorithm calculates daily, according to supply and demand (available shares and open interest of the two stock lending products), the central interest rate and the quantities offered for lending. The central interest rate is the rate that ADECH usually applies to the largest quantity, while the rest quantities on disposal are allocated by the algorithm to interest rates around the central interest rate, the minimum being 1.90% and the maximum 10%.

2. **The immediate increase of the inventory of shares kept in the ADECH pool,** from 20% to 25%. Therefore, the maximum number of borrowed shares will be now 3.75% (= 5% x 0.75%).

3. **Increase on the daily limit per individual account,** for the exercise of the repurchase right of Stock Repo, from 0.025% to 0.03% of the total number of listed shares of the issuer.

4. **Increase on commissions (effective Tuesday 11/3/2003)** that are payable on transactions for Stock Reverse Repo and Repurchase Agreement products, from 0.015% to 0.03% on transaction value. This increase will not be applied to Market Makers of the derivatives market.

5. **Gradual increase of the margin** that ADECH requires on Stock Reverse Repo, according to the following timetable:

Underlying Value	HTO	ETE	ALPHA	EEEEK	PANF	INTRK	Other	RA
Today	117%	117%	117%	119%	123%	125%	130%	140%
14/3/03	121%	121%	121%	123%	126%	128%	133%	140%
21/3/03	125%	125%	125%	127%	129%	131%	136%	143%
28/3/03	129%	129%	129%	131%	132%	134%	139%	143%

4/4/03	133%	133%	133%	135%	135%	137%	142%	146%
11/4/03	137%	137%	137%	139%	138%	140%	145%	146%
17/4/03	141%	141%	141%	143%	142%	143%	148%	148%
24/4/03	145%	145%	145%	147%	146%	146%	150%	150%
2/5/03	150%	150%	150%	150%	150%	150%	150%	150%

The changes in margins will be valid for positions arising after the close of the trading sessions, on the dates mentioned above. ADECH always retains the right to readjust the level of margins, according to the prevailing market conditions.