

ATHEX

Athens Stock Exchange

**GUIDE / MEMORANDUM FOR
PROSPECTIVE TRADING
MEMBERS OF THE ATHENS
STOCK & DERIVATIVES
MARKET**

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1 GENERAL

The Member approval process established by the Athens Stock Exchange (ATHEX) for the Stocks and Derivatives Market, in accordance with the legislative and regulatory framework governing its operation, practically sets out the steps leading to the activation of each prospective Member in the Organized Securities and Derivatives Market of ATHEX.

Following the submission of the Membership application, the next main stage of the approval process is the drafting and submission by each prospective Member of a candidacy memorandum. The purpose of this memorandum is to present the way each company intends to organize itself and prepare to be successfully activated as a Trading Member of ATHEX. In addition, it must demonstrate an in-depth knowledge of the Regulations and the Trading and Clearing procedures of the Securities and Derivatives Market on the part of the competent executives of the applicant Member companies.

The purpose of this document is to facilitate and guide prospective Members by proposing a structure for the memorandum and outlining the issues that the memorandum should cover. The sections of the memorandum follow, together with certain basic organizational principles that companies should consider when preparing their internal organization. ATHEX may request additional information from the prospective Member beyond what is referred to in this document, and it is stated that the data and information submitted by the company – prospective Member will be used exclusively for the purpose of its evaluation as a Member of ATHEX.

2 STRUCTURE & CONTENTS OF THE MEMORANDUM

2.1 INTRODUCTION

- Description of the strategy and specific objectives approved by the Board of Directors of the applicant company regarding its activities in the Securities and Derivatives Market, within the framework of the overall business objectives and the desired overall risk-taking limits.
- Organizational structure of the company, including the activities it intends to develop in the Securities and Derivatives Market.

2.2 COMPANY GOALS FROM ITS PARTICIPATION AS A TRADING MEMBER

- Company's client base and anticipated percentage level in which they wish to participate.
- Anticipated traded volumes and time span for their realization.
- Revenues and expenses assumptions, as well as quantitative forecast for the next five years from its activation in which they wish to participate.

3 CLIENTS TRANSACTIONS

Specifically, among other things, this section should include the following:

- Staffing: Indicatively, reference should be made to the Certified Securities and Derivatives Traders that the company will employ to conduct transactions in the Securities and Derivatives Markets.
- Technical and operational infrastructure.
- Account opening procedures, client information material, agreements, and other relevant documents.
- Description of the process of receiving and transmitting orders. Required checks prior to the entry of orders into the System. Procedure for client transactions cleared through another Member. Knowledge of trading rules and prohibited transactions. Preparation of an internal manual covering the above. Description of communication between the department and the risk management, accounting, and trading departments. Provision for the replacement or temporary substitution of the Certified Trader(s).
- Archiving orders/transactions and cancellations.
- Client reporting on their transactions (daily confirmations, monthly account statements).
- Actions for the promotion of sales.

4 PROPRIETARY TRADING

- Establishment of principles and objectives by management for proprietary trading.
- Method for setting internal position limits. Position management system and systems for daily monitoring of profits and losses.
- Own funds and ability to finance positions.
- Own funds, ability to finance positions, and partnerships for securities lending.
- Provision for replacement or temporary substitution of the Certified Trader(s).
- Knowledge of the fast market rules, the obligations of Market Makers, and the applicable sanctions, as described in the Regulation.

In sections 3 and 4 above, the company's mechanisms must be described with clarity, precision, and comprehensiveness, particularly with respect to:

a) Effective risk management associated with the company's activities in the Athens Exchange (ATHEX) Markets and the fulfillment of related obligations.

b) Ongoing monitoring and fulfillment of client obligations toward the company, and of the company's obligations toward its clients, including the accurate execution of all types of orders and instructions, as well as the provision of complete, timely, and adequate information to clients regarding the execution of their orders.

c) Prevention of conflicts of interest, both between the company and its clients—particularly where Members trade in both client accounts and proprietary accounts—and among different clients, while ensuring that client orders are executed in accordance with the principles of best execution.

d) Monitoring of the smooth clearing of transactions conducted by the company and the fulfillment of obligations arising from the clearing process.

e) Monitoring and controlling clients' short positions to identify and address promptly any potential clearing issues.

f) Effective oversight, management, and compliance with obligations toward the Competent Authorities, the Athens Exchange (X.A.), and all relevant trading and clearing systems or entities connected to the ATHEX Markets.

5 CLEARING DEPARTMENT

- Staffing: Names of certified and in-training personnel.
- Technical and logistical infrastructure.
- Description of the organization, responsibilities, and procedures of the Clearing Department, including a brief overview of the daily workflow schedule.
- Procedure and method for effective monitoring, management, and fulfillment of obligations of the company and its clients arising from the clearing of transactions. Description of communication between the Clearing Department and the Accounting and Trading Departments.
- Monitoring and updating of client and company accounts.

6 INTERNAL AUDIT (Compliance office)

This section should describe the audit mechanisms and procedures covering the company's activities, contributing to its safe and effective operation. Reference should be made to documented internal audit procedures (internal audit manual) and to the way in which this independent service will verify the faithful implementation of trading and clearing procedures.

Indicatively, the procedures should cover:

- Consistent monitoring of the strategy set by the company.
- Compliance with the regulatory framework governing the operation of the departments, proper application of internal trading and clearing procedures, and controlled access of company personnel to confidential information.
- Systematic monitoring of risks undertaken by the trading and clearing departments.
- Ensuring the completeness and reliability of data and information required for the accurate and timely determination of the company's financial position and the production of reliable financial statements.

- Regular audit of the clearing and settlement documents.
- Procedures for emergency and contingency situations, including the existence of contingency plans that are known to personnel and are regularly tested in practice for effectiveness.
- Existence of a sample daily audit schedule.

7 RISK MANAGEMENT DEPARTMENT

This department covers all activities and all types of risks on both an individual and consolidated basis. It is responsible for the identification, analysis, measurement (for quantifiable risks), and recommendation of measures and strategies for their immediate mitigation.

- Information should be provided regarding the organizational structure, the position of the Risk Management Department within the organizational chart, and the lines of hierarchical reporting.
- Staffing.
- Description of the department's responsibilities, including the recording of duties and the methods used to track and monitor various risks. Procedures should exist for immediate identification, analysis, monitoring, and effective management of risks on a continuous basis.
 - Credit Risks: Customer selection process, evaluation of clients' creditworthiness, setting of client-specific limits, and monitoring of those limits.
 - Market Risks: Client position limits, trader position limits, and reference to systems used for risk monitoring.
- Reporting procedures to the company management.

8 ACCOUNTING DEPARTMENT

- It should be stated that the company maintains an organized and fully computerized accounting department with adequate staffing. The name of the head of the Accounting Department should be provided.
- Description of the methods applied by the company for accounting and recording in the company's books and records of profits and losses arising from transactions.
- The head of the accounting department is aware of the relevant fees and charges the ATHEX imposes to its members