

March 30, 2016

CYSEC Board Decision

Announcement date:	30.03.2016	Board decision date:	18.01.2016
Regarding:	Ouroboros Derivatives Trading Ltd		
Legislation:	The Investment Services and Activities and Regulated Markets Laws, Directive DI 144-2007-01 of 2012, Directive DI 144-2007-02 of 2012		
Subject:	Fine €235.000		
Judicial Review:	Click here	Judicial Review Ruling:	Click here

The Board of the Cyprus Securities and Exchange Commission (the 'CySEC') wishes to inform investors that, at its meeting held on January 18, 2016, decided to impose a total administrative fine of **€235.000** to the **CIF Ouroboros Derivatives Trading Ltd** ('the Company') for non-compliance with the following legislation:

1. the Investment Services and Activities and Regulated Markets Law of 2007, as amended from time to time ('L.144(I)/2007'),
2. the Directive DI 144-2007-01 of 2012 of the Securities and Exchange Commission for the Authorisation and Operating Conditions of CIFs ('Directive 1'),
3. the Directive DI 144-2007-02 of 2012 of the Securities and Exchange Commission for the professional competence of Investment Firms and the natural persons employed by them ('Directive 2').

The administrative fine imposed on the Company is broken down as follows:

- A. €70.000** for non-compliance with Section 6(8) of L.144(I)/2007 as it provided the investment service of investment advice, which is not stated in its authorisation.
- B. €10.000** for non-compliance with Section 28(1) of L.144(I)/2007 as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 12(4) of L.144(I)/2007, which states that "all members of the board of directors shall commit sufficient time to perform their functions in the CIF", since the Company's executive director did not commit sufficient time to perform his duties and did not adequately supervise the Company's services/activities.
- C. €10.000** for non-compliance with Section 28(1) of L.144(I)/2007 as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 18(2)(a) of L.144(I)/2007 and paragraph 4(1)(f), 13 and 14 of Directive 1. More specifically:
 - The Company did not maintain adequate and orderly records of its marketing communications;
 - The Company did not implement and maintain effective and transparent procedures for the reasonable and prompt handling of complaints or grievances received from

clients.

- The Company did not keep an up-dated/complete internal operations manual.

- D. €20.000** for non-compliance with Section 28(1) of L.144(I)/2007 as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 18(2)(d) of L.144(I)/2007 and paragraph 16(3) of Directive 1, since, during the outsourcing of its marketing and sales service, it did not take reasonable measures to avoid any unjustified aggravation of the operational risk and not to impair the CySEC's ability to supervise the Company's compliance.
- E. €40.000** for non-compliance with Section 36(1) of L.144(I)/2007 as it failed to act fairly, honestly and professionally in accordance with the best interests of its clients in relation to the terms and conditions for the granting of benefits (trading bonus) and the practices applied in this respect.
- F. €30.000** for non-compliance with Section 36(1)(a) of L.144(I)/2007 and paragraph 6, subparagraphs (2) and (8) of Directive 2, as the information the Company provided to its clients, amongst others, through its website and the information contained in the advertising material of the Company, were not fair, clear and non-misleading in accordance with Section 36(1)(a) of L.144(I)/2007 and the Company did not ensure that these satisfy the terms of paragraph 6, subparagraphs (2) and (8) of Directive 2.
- G. €15.000** for non-compliance with Section 36(1)(b) of L.144(I)/2007 as the information provided to clients/potential clients on its website at the relevant time, upon entering into the business relationship, were not appropriate so that the clients are reasonably able to understand the nature and risks of the investment service offered and the specific type and the proposed financial instrument, and in accordance with Section 36(1)(b) of L.144(I)/2007 and paragraphs 8-12 of Directive 2.
- H. €40.000** for non-compliance with Section 36(1)(d) of L.144(I)/2007 and paragraphs 15 and 16 of Directive 2 as, it failed to ask clients to provide the necessary information regarding their knowledge and experience, to assess whether the investment service or financial instrument envisaged is appropriate for them.

In reaching its decision, the CySEC has taken into consideration, *inter alia*, the following:

- the amount of administrative sanctions provided in the relevant legislation,
- the importance attributed to the need to ensure that the persons subject to the supervision of the CySEC fully comply with the provisions of the Laws and the relevant Directives,
- the adoption of correctives measures/actions on behalf of the Company such as, *inter alia*, the following:



- It has taken and/or is in the process of taking corrective measures to improve compliance and the monitoring of the activities of the call centers, including the implementation of a revised procedure to monitor the activities of the call centers, the training of staff and ongoing monitoring,
- It has committed to move all call centers to Cyprus, which will contribute to a more efficient monitoring of the activities of the call centers,
- It has updated its complaints record in accordance with the provisions of its internal operations manual,
- It has adopted complaint handling procedures and its clients are informed of the procedure through the Company's website,
- It is in the process of reviewing its procedures in relation to the approval of its advertising material, including record-keeping, which will be monitored by the compliance officer,
- It has taken corrective measures regarding the granting of benefits to clients, including the revision of the terms and conditions for the granting of benefits to clients,
- It has revised the material directed to clients via its website.