

30 September 2016

**CYSEC Board Decision**

<b>Announcement date:</b>	30.09.2016	<b>Board date:</b>	<b>Decision</b>	05.09.2016
<b>Regarding</b>	IQ Option Europe Ltd			
<b>Legislation</b>	The Investment Services and Activities and Regulated Markets Laws, Directive DI 144-2007-01 of 2012, Directive DI 144-2007-02 of 2012			
<b>Subject:</b>	Fine €180.000			
<b>Judicial Review:</b>	<a href="#">Click here</a>	<b>Judicial Ruling:</b>	<b>Review</b>	<a href="#">Click here</a>

The Board of the Cyprus Securities and Exchange Commission (the 'CySEC') wishes to inform investors that, at its meeting held on 5 September 2016, decided to impose a total administrative fine of **€180.000** to the CIF **IQ Option Europe 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 ('the Law'),
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. €5,000** for non-compliance with Section 28(1) of the Law, as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 16 of the Law since its head office was not situated in Cyprus.
- B. €10.000** for non-compliance with Section 28(1) of the Law, as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 18(2)(a) of the Law and paragraphs 4(1)(f), 9 and 14 of Directive 1, as it did not establish adequate policies and procedures sufficient to ensure its compliance with its obligations pursuant to the Law and Directive 1. Specifically:
  - i. The Company did not establish and maintain adequate policies, measures and procedures regarding the approval of the information addressed and provided to clients, the assessment of appropriateness and the assessment of the chosen liquidity provider.
  - ii. The Company did not maintain adequate and orderly records of client orders, client transactions, marketing material and the approval of information addressed to



- clients prior to the agreement for the provision of services, and of its affiliates, and was not in a position to make these available to the CySEC.
- iii. The Company did not include in its operation manual the specific policies and procedures maintained in relation to the assessment of appropriateness, the information addressed and provided to clients or potential clients and the choice of liquidity provider.
  - iv. The Company did not ensure that its senior management and the board of directors assessed and periodically reviewed the effectiveness of the policies, arrangements and procedures set up for its compliant with its obligations, and did not take appropriate remedial measures.
- C. €20.000** for non-compliance with Section 28(1) του Νόμου of the Law, as it failed to comply at all times with the authorization and operating conditions, as laid down in Section 18(2)(d) of the Law and paragraph 16, subparagraphs (2), (3), (c), (e), (i) and (6) of Directive 1, as, it did not take reasonable measures to avoid any unjustified aggravation of the operational risk, when outsourcing activities or operational functions to third parties, taking into consideration that:
- i. The Company proceeded to the outsourcing of functions to such a degree which rendered it a letter box entity.
  - ii. The Company did not exercise due skill, care and diligence when outsourcing the functions of promotion and marketing.
  - iii. The Company did not take measures to ensure that the service providers to whom activities were outsourced were providing the said activities effectively and professionally, and did not properly supervise the carrying out of the outsourced functions, and adequately manage the risks associated with the outsourcing.
  - iv. The Company did not take measures for the effective supervision of the service providers and did not take adequate measures when the service providers did not offer the outsourced services adequately, and did not provide effective access to data related to the outsourced activities.
- D. €40.000** for non-compliance with Section 36(1) of the Law as it failed to act fairly, honestly and professionally in relation to the bonus terms and conditions accepted by the Company's clients and the practices applied to this respect.
- E. €30.000** for non-compliance with Section 36(1)(a) of the Law and paragraph 6, subparagraph (2)(b) of Directive 2, as the information included in its website, the information on clients' online accounts and the information on sample marketing material assessed, were not fair, clear and non-misleading in accordance with Section 36(1)(a) of the Law and the Company did not ensure that these satisfy the terms of paragraph 6, subparagraph (2)(b) of Directive 2.
- F. €15.000** for non-compliance with Section 36(1)(b) of the Law and paragraphs 6, 8-12, 15 and 16 of Directive 2, as, the information provided to its clients/potential clients 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 the Law and paragraphs 6, 8-12, 15 and 16 of Directive 2.

- G. €40.000** for non-compliance with Section 36(1)(d) of the Law 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.
- H. €20.000** for non-compliance with Section 38 of the Law since it not take all the reasonable steps to obtain, when executing orders, the best possible result for its clients, since due to the strike and expiry prices used, in comparison with market prices of the underlying assets, μέσου, resulted in loss making trades for clients, rather than profitable trades.

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 seriousness attributed to the CIF's obligation to act fairly, honestly and professionally in accordance to the best interests of their clients,
- the adoption of correctives measures/actions on behalf of the Company such as, *inter alia*, the following:
  - it has taken actions for the provision of investment services in the Republic as well as the appointment of appropriate staff in Cyprus,
  - it has updated its procedures manual in relation to policies and procedures enforced in relation to assessing the appropriateness, information addressed and provided to clients and the prevention of money laundering,
  - it has proceeded in taking remedial actions for the provision, by the Company itself, of the services for which it is licensed,
  - it has proceeded to the amendment of its bonus terms and conditions,
  - it has proceeded to the reassessment of the material addressed to its clients through its website,
  - it has proceeded to the updating of the account opening questionnaire addressed to clients,
  - the Company has not committed a similar violation in the past.