

**October 25 2016**

**CYSEC Board Decision**

<b>Announcement date:</b>	25.10.2016	<b>Board decision date:</b>	26.09.2016
<b>Regarding:</b>	XFR Financial 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 €225.000		
<b>Judicial Review:</b>	<a href="#">Click here</a>	<b>Judicial Review Ruling:</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 September 26, 2016, decided to impose a total administrative fine of **€225.000** on the **CIF XFR Financial Ltd** (the 'Company') for non-compliance with the following,:

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 without an authorisation to provide the said service.
- 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 18(2)(a) of L.144(I)/2007 and paragraph 5 of Directive 1, since:
  - (i) the compliance function did not establish, implement and maintain adequate policies for the detection of any risk of failure by the firm to comply with its obligations under the Law, as (a) it did not identify that the employees at the sales and customer service departments provided the investment service of investment advice, (b) did not identify that the information that the Company addressed to clients or potential clients is not fair, clear and not misleading, and consequently did not put in place adequate measures to minimize these risks (paragraph 5 (1) of the Directive).
  - (ii) the compliance function did not monitor and did not regularly assess the adequacy and effectiveness of the measures and procedures put in place by the Company.
- 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 14 of Directive 1, as it did not establish,

implement and maintain adequate policies and procedures in order to ensure compliance with its obligation under paragraph 14 of Directive 1, since:

- the internal operational manual had weaknesses,
- the company did not apply in practice all that was provided for in the internal organizational manual in relation to the data collected for the compatibility assessment.

- D. €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 granting a trading bonus and in relation to the practices applied in this context.
- E. €40.000** for non-compliance with Section 36(1)(a) of L.144(I)/2007 and paragraph 6 of Directive 2, as the information that the Company addressed to its clients or potential clients via the employees of the sales and customer service departments and from the marketing communications were not fair, clear and non-misleading, as defined in Section 36(1)(a) of L.144(I)/2007 and the Company failed to ensure that these comply with the terms of paragraph 6, sub-paragraph (2) of Directive 2.
- F. €15.000** for non-compliance with Section 36(1)(b) of L.144(I)/2007 as the information provided to clients or potential clients is not appropriate so that they are reasonably able to understand the nature and risks of the specific type of investment service and of the proposed financial instrument in accordance with Section 36(1)(b) of L.144(I)/2007.
- G. €40.000** for non-compliance with Section 36(1)(d) of L.144(I)/2007 and paragraphs 15 and 16 of Directive 2 as, in relation to its clients, it failed to ask clients to provide all the information required in accordance with paragraph 16 of Directive 2 and it failed to assess the appropriateness of the investment service or financial instrument with the clients, taking into account all the information required by the legislation and it did not warn the clients that the investment service or financial instrument was not compatible with them.

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

- the amount of the 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 comply fully with the provisions of the Law and the relevant Directives,
- as stated by the Company, the adoption of corrective measures/actions on behalf of the Company, such as *inter alia* the following:
  - it has designed a procedure for a closer monitoring of the telephone conversations,
  - it has taken steps in order to revise its internal organizational manual,
  - it has taken the necessary steps to improve the procedure for assessing the suitability of clients,
  - it will not grant bonuses without the consent of the client,
  - it has taken the necessary corrective measures with respect to the compliance function and the monitoring of the telephone conversations.



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- the Company has not committed similar violations in the past.