

**November 27, 2015**

**CYSEC Board Decision**

<b>Announcement date:</b>	27.11.2015	<b>Board decision date:</b>	29.09.2015
<b>Regarding:</b>	Reliantco Investments 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 €123.000		
<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 29, 2015, decided to impose a total administrative fine of **€123.000** on the **CIF Reliantco Investments 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. €3.000** 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 of paragraph 14 of Directive 1, since it did not apply adequate policies and procedures sufficient in order to ensure sufficient compliance with its obligations under L.144(I)/2007 and Directive 1.
- B. €30.000** 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 it did not exercise due skill, care and diligence in the management of the agreement for the outsourcing of the customer support service to third parties and did not take reasonable measures to avoid any unjustified aggravation of the operational risk. More specifically:
  - i. The Company failed to establish that the companies to whom the customer support service was outsourced, provided a service on behalf of the Company (the investment service of investment advice) which was outside the scope of the activities assigned to them.
  - ii. The Company failed to sufficiently supervise the customer support service provided by the said companies.

iii. The Company failed to take measures as the said companies did not perform the duties assigned to them in an efficient manner.

- C. **€30.000** for non-compliance with Section 36(1) of L.144(I)/2007 as it failed to act fairly, honestly and professionally in relation to the actions undertaken by the account managers of the companies to whom the Company has outsourced the customer support department.
- D. **€30.000** for non-compliance with Section 36(1)(a) of L.144(I)/2007 and paragraph 6, sub-paragraphs (2) and (8) of Directive 2 as the information provided by the Company through the account managers of the companies to whom it had outsourced the customer support department, the information contained in its website and the information in the advertising announcements is not fair, clear and non-misleading in accordance with Section 36(1)(a) of L.144(I)/2007 and it failed to ensure that these satisfy the terms of paragraph 6, sub-paragraphs (2) and (8) of Directive 2.
- E. **€15.000** for non-compliance with Section 36(1)(b) of L.144(I)/2007 and paragraphs 10-12 of Directive 2 as the information provided to potential clients is not appropriate so that they are reasonably able to understand the nature and risks of the offered investment service and the specific type of the proposed financial instrument.
- F. **€15.000** 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 be able to assess whether the investment service or financial instrument envisaged is appropriate for the client.

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 comply fully with the provisions of the Laws and the relevant Directives,
- The importance attributed to the exercise of efficient supervision of the externally outsourced provider, such as not to prejudice the quality of control of the CIF and the interests of the clients,
- The adoption of corrective measures/actions on behalf of the Company such as, *inter alia*, the following:
  - It is currently in the process of reviewing its internal operations manual,
  - It has settled client complaints in relation to the activities of its service providers,
  - It has taken certain corrective actions regarding the assessment of appropriateness.