

3 July 2020

CYSEC Board Decision

Announcement date:	03.07.2020	Board decision date:	16.09.2019
Regarding:	Cyprus Popular Bank Public Co Ltd and Commerzbank AG		
Legislation:	The Insider Dealing and Market Manipulation (Market Abuse) Law		
Subject:	Cumulative fine of €650.000 to Commerzbank AG		
Judicial Review:	Click here	Judicial Review Ruling:	Click here

The Board of the Cyprus Securities and Exchange Commission ('CySEC') wishes to inform the public that it has completed its investigation regarding the compliance of the Cyprus Popular Bank ("CPB") and Commerzbank AG with section 19 of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005 in relation to structured bonds ISIN XS0345364227 and XS0345364656 for the period between 1 January 2008 – 15 March 2013.

Based on the findings of CySEC's investigation, the CPB invested in two structured products issued by Commerzbank AG. The value of the aforesaid products was determined in accordance with the underlying basket of instruments. The content of the underlying basket was determined by the "index sponsor". According to the terms and conditions governed the specific products the underlying basket was (theoretically) virtual and therefore no actual investment into the underlying was supposed to take place.

Marfin Egnatia Bank S.A (a subsidiary of CPB) was initially appointed as the *index sponsor*. However, as a consequence of the results of the cross-border merger between Marfin Egnatia Bank S.A. and the CPB, the CPB became the index sponsor as of 31 March 2011.

The initial investment into the structured products took place on 5 February 2008. However, the composition of the underlying basket was dynamic and was determined by the *Index Sponsor*. The underlying basket was mainly comprised of shares of the CPB and other firms of the Marfin Investment Group (to which the CPB belonged). The CPB shares were incorporated into the underlying basket of the Structured Product with ISIN XS0345364227, in 2011.

Based on the evidence made available to CySEC, Commerzbank AG executed the voting rights attached to the shares purchased (including the CPB shares) during the Shareholders' General Meetings in all cases following a request and based on the instructions of the Index Sponsor. The proxy persons had a direct relationship with the relevant entities.

The findings of the investigation were that the CPB and Commerzbank AG used the structured product with ISIN XS0345364227 as a vehicle in order for Commerzbank AG to

act as a surrogate of CPB in a disguised manner and acting in concert to manipulate the market in relation to CPB's shares on 4, 5, 6, 14, 15, 18, 19, 20, 21, 26 and 27 April 2011 and 6 and 30 May 2011.

The acquisition of CPB shares took place in a way that ensured the share price fixing at certain levels in accordance with their daily target. The placing of orders was likely to give misleading signals in relation to CPB shares, as such orders did not correspond to investors' interest but to fictitious demand that was covertly created by the issuer of the shares. These transactions undertaken by Commerzbank AG as a surrogate for the CPB corresponded in many cases to a significant proportion of the total daily volume of transactions in relation to the CPB shares.

CySEC decided to impose a **cumulative fine of €650.000** to Commerzbank AG in relation to the aforesaid violations (**€50.000 for every day of being in violation, thirteen days in total**), taking the fact that more than eight years have elapsed since the time of the violation into consideration as a mitigating factor.

In the case of the CPB, CySEC decided not to impose a fine for the aforesaid violation taking into account that:

- i. The CPB is under resolution pursuant to Law 17(I)/2013 and/or pursuant to the relevant decrees issued by the Central Bank of Cyprus and is under special administration since 2013. The main activity of CPB is the execution of the resolution measures.
- ii. Under these special circumstances the imposition of a fine to the CPB would further burden the financial position of its depositors, bond holders and shareholders.

CySEC would like to express its thanks to the National Competent Authority of Germany (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin), the Hellenic Capital Market Commission and the Financial Conduct Authority of the United Kingdom – FCA for the valuable assistance they provided during this investigation.

More details/justification of CySEC's decision are/is available in the Greek version of the announcement.

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