

THE REPUBLIC OF BULGARIA
FINANCIAL SUPERVISION COMMISSION

RESOLUTION No 883 – IP
of
10 October 2014

Global Markets OOD, UIC 200287666, is a limited liability company entered into the Register of the Commercial Companies on 09 August 2008, with registered office 38 Maystor Alexi Rilets Str., Manastirski Livadi West, Sofia, UIC: 200287666.

Global Markets OOD obtained a license for investment intermediary (II) services with Resolution No 799 – IP/16.07.2008 of the Financial Supervision Commission (FSC), under which it has the right to carry out investment activities and to provide investment services under Article 5, Paragraph 2, Items 1, 2, 4, 5 and 7 of the Markets in Financial Instruments Act (MFIA) and the additional services under Article 5, Paragraph 3, Items 1 - 5 and Item 7 of MFIA.

With a letter with incoming No RG-03-227-31 dated 27 March 2014, FSC was informed that at a General Meeting of the Partners (GMP) of the company held on 26 March 2014, a resolution was passed for II Global Markets OOD to withdraw from its activities as an investment intermediary within the meaning of MFIA and in connection with this resolution it submits an application for the initiation of proceedings for revocation of the license of the II. A Plan for Settlement of Client Relations was enclosed with the application.

With a letter with incoming No RG-03-227-31 dated 31 March 2014, the FSC was informed that all clients of II Global Markets OOD have been informed about the resolution of the company to terminate its investment intermediary activities. In the course of the proceedings, with a letter with incoming No RG-03-227-31 dated 22 April 2014, II Global Markets OOD informed the FSC that on the basis of the decision made to waive its license and the provided Plan for Settlement of Client Relations, the relations between II Global Markets OOD and its clients have already been settled. The letter indicates that the client accounts of the II at Saxo Bank, Denmark, contain no financial instruments, cash and other assets and that the assets of the clients have been transferred to an investment intermediary carrying out operations on the respective financial markets.

In connection with the opened proceedings for revocation of the license issued to the company, under the case set out in Article 21 of MFIA, with a letter with outgoing No RG-03-227-31 dated 30 April 2014, FSC has requested from the company to submit documents proving the settlement of the relations with the clients of the investment intermediary, which as the investment intermediary alleges, have already been settled. In response to letters of FSC, with outgoing No RG-03-227-31 dated 30 April 2014 and outgoing No RG-03-227-31 dated 13 May 2014, the representative of the company, Yordan Atanasov Mollov, deposited at FSC a letter with incoming No RG-03-227/3 dated 28 May 2014, containing information on the manner of settlement of the company's relations with its clients. Pages 3 and 4 of the above letter, incoming No RG-03-227/3 dated 28 May 2014, explicitly state that if the clients of the intermediary do not explicitly indicate by 00:00 am Bulgarian time on 01 April 2014 the investment intermediary to which they wish to transfer their assets, such assets will be transferred to Alpha Broking. Alpha Broking is an investment intermediary with a license issued by the Australian Securities and Investments Commission.

In the above letter, investment intermediary Global Markets OOD alleges that the intermediary has been provided with explicit instructions by a part of its clients for disposal with the assets of such clients held by the investment intermediary, while the assets of the remaining client of the II, at a total value of USD 1,760,199.82 (including cash in the amount of USD 920,000.00 and financial instruments in the amount of USD 840,199.82) have been transferred to Alpha Broking.

With regard to the documents submitted in the course of the proceedings, it has been established

that the company submits to the FSC incomplete and contradictory data, which renders impossible establishing the exact number of the clients of the II whose relations with the II need to be settled, the size of the assets of these clients held by the II and the depository institutions where these assets are held. In this connection, with Resolution No 467-IP dated 13 May 2014 a coercive administrative measure was imposed, and with Item 3 of the operative part of the indicated Resolution, investment intermediary Global Markets OOD was obligated to provide to FSC, within two weeks, documents proving the settlement of the relations with all of its clients, including notices to the clients, submitted instructions and evidence that the assets were transferred in compliance with the wishes expressed by the clients. Despite the coercive administrative measure imposed on II Global Markets OOD with Resolution No 467-IP dated 13 May 2014 of the Deputy Chairperson of the FSC, head of division Investment Supervision, the FSC has not been provided with documents on the settlement of the relations with specific clients of the investment intermediary (notifications to clients regarding the termination of the business of the company, instructions by clients for the transfer of their assets, proof of the fulfilment of such instructions, notifications to the clients who have not submitted such instructions as to where their assets have been transferred).

In view of the above data, the systematic violations of MFIA and the regulations on its implementations, both by II Global Markets OOD and by Yordan Mollov in his capacity of a person under Article 11 of MFIA (Manager of II Global Markets OOD) and in view of ensuring the protection of the interests of the investors, with Resolution No 651-IP dated 14 July 2014, pursuant to Article 20, Paragraph 2, Item 4 of MFIA, the FSC revoked the issued license for performance of the activities of an investment intermediary. The company was informed about the resolution on 14 July 2014. As of this date and pursuant to the requirements of Article 22 of MFIA, within three business days after being notified by the resolution for license revocation, the investment intermediary is obligated to inform all of its client of this resolution and about the option to indicate another investment intermediary where their financial instruments, cash and other assets to be transferred. The imperative provision of Article 22, Paragraph 2 of MFIA obligates the investment intermediary within 5 business days after the expiry of the three-day period to transfer the clients' financial instruments, cash and other assets under the provisions of Article 21, Paragraph 2, Sentence 2, Paragraphs 3 and 4 of MFIA. The five-day period indicated in the provision of Article 22, Paragraph 2 of MFIA for the transfer of the clients' financial instruments, cash and other assets expired on 24 July 2014.

After the revocation of the issued by FSC license pursuant to Article 20, Paragraph 2, Item 4 of MFIA, in order to protect the interests of the clients of Global Markets OOD, a cross-check was performed, in the course of which FSC was provided with information that contrary to the allegation of Global Markets OOD, no assets of clients of investment intermediary Global Markets OOD were transferred to Alpha Broking and Alpha Broking only provided cooperation for the opening of an account of Global Markets OOD with Interactive Brokers (an investment intermediary licensed by the Financial Conduct Authority, the United Kingdom). From the information and documents provided by Interactive Brokers it becomes clear that an account was opened in the name of Global Markets OOD with this investment intermediary, where financial instruments and cash are kept. From the above it follows that the assets of clients of Global Markets OOD are kept in an account opened in the name of Global Markets OOD, opened with Interactive Brokers.

Considering the presented factual situation, it is evident that the information provided by Global Markets OOD to FSC regarding the settlement of the relations between the intermediary and the clients is not consistent with the information collected in the course of the performed cross-checks, which creates doubts as to the truthfulness and authenticity of the data and documents submitted by the investment intermediary. In view of the established common practices of Global Markets OOD in providing incomplete and untruthful information to FSC and its activities which endanger the interests of the company's clients, with which, contrary to the allegations made by the company, the complaints received at FSC demonstrate that it has not yet settled its relations, FSC has to undertake additional measures to protect the rights and interests of the clients of the company and to ensure the conclusive settlement of their relations with Global Markets OOD. It is essential that the investment intermediary settle its relations with all of its clients so that their interests are fully protected and the security of the assets held by them is ensured. This is also the main objective of MFIA, as stipulated in Article 2 thereof, namely to ensure the protection of the financial instruments investors. In line with this objective, the legislator has introduced a number of imperative obligations for the investment intermediary, the fulfilment of which is a guarantee for the realisation of the objective of this Act. Such obligations are further set forth with the provisions of Articles 21 and 22 of MFIA, which regulate the

procedure for settlement of the relations between the investment intermediary and its clients in case of revocation of the license issued by the Commission. The powers of the supervisory body in connection with these obligations are set forth in the provision of Article 23, Paragraph 2 of MFIA, pursuant to which the Deputy Chairperson may order the performance of checks and may impose coercive administrative measures under Article 118 of MFIA until the deletion of the company from the Trade Register, and when the company has another subject of activity as well - until the conclusive settlement of the relations with its clients.

In view of the above, the Deputy Chairperson of FSC, head of the Investment Supervision Division, with a letter with outgoing No RG-03-227-55 dated 06 October 2014, informed the company that administrative proceedings were initiated against it for the issuance of an individual administrative act for imposition of a coercive administrative measure with the following operative part:

"I order GLOBAL MARKETS OOD, UIC 200287666, within seven days as of the date of receipt of the resolution for imposition of the coercive administrative measure:

1. to transfer all assets of its clients which have not explicitly indicated the manner of settlement of their relations, to an investment intermediary licensed by the Financial Supervision Commission (FSC) or by the Bulgarian National Bank, which has given its consent for such transfers, and in case that such an intermediary is not available – to a depository institution, including by means of the opening of new accounts for the clients.

2. to submit to FSC the contract concluded with the investment intermediary under Item 1 or the depository institution, together with the evidence certifying the performed transfer of the clients' assets to an investment intermediary or a depository institution and a record containing the following data: identification data for the clients (the full name of the client and the personal identity number, respectively the company name and UIC), cash (indicating the amount, currency type, BGN equivalent, exchange rate), financial instruments (indicating the issuer, ISIN of the issue, type of the financial instruments, number of financial instruments), transfer date, name of the investment intermediary where the clients' assets have been transferred, respectively name of the depository institution."

With a letter with outgoing No RG-03-227-55 dated 06 October 2014, Global Markets OOD was provided with a two-day period within which the company may provide to FSC, at e-mail address delovodstvo@fsc.bg, explanations and objections signed with a digital signature. It is evident from delivery note No 60297745 of courier company MiBM Express OOD, that the letter with outgoing No RG-03-227-55 dated 06 October 2014 was received by the company on 07 October 2014; therefore, the provided two-day period expired on 09 October 2014. Within this period no objection was deposited with FSC with regard to the opened proceedings, respectively no evidence was submitted that Global Markets OOD has transferred the assets of its clients, including cash, financial instruments and other assets in compliance with the statutory requirements.

In view of the above and in order to put an end to the violation and protect the rights and interests of the investors, pursuant to Article 15, Paragraph 1, Item 4 of the Financial Supervision Commission Act (FSCA) and Article 118, Paragraph 1 in conjunction with Article 23, Paragraph 2 in conjunction with Article 22 of MFIA and Article 59, Paragraphs 1 and 2 of the Administrative Procedure Code (APC),

I RESOLVE:

"I order GLOBAL MARKETS OOD, UIC 200287666, within seven days as of the date of receipt of the resolution for imposition of a coercive administrative measure:

1. to transfer all assets of its clients which have not explicitly indicated the manner of settlement of their relations, to an investment intermediary licensed by the Financial

Supervision Commission (FSC) or by the Bulgarian National Bank, which has given its consent for such transfers, and in case that such an intermediary is not available – to a depository institution, including by means of the opening of new accounts for the clients.

2. to submit to FSC the contract concluded with the investment intermediary under Item 1 or the depository institution, together with the evidence certifying the performed transfer of the clients' assets to an investment intermediary or a depository institution and a record containing the following data: identification data for the clients (the full name of the client and the personal identity number, respectively the company name and UIC), cash (indicating the amount, currency type, BGN equivalent, exchange rate), financial instruments (indicating the issuer, ISIN of the issue, type of the financial instruments, number of financial instruments), transfer date, name of the investment intermediary where the clients' assets have been transferred, respectively name of the depository institution."

Pursuant to Article 120 of MFIA, the resolution is subject to immediate enforcement regardless of any appeals.

Pursuant to Article 15, Paragraph 3 of FSCA in conjunction with Article 84, Paragraph 1 of APC, the resolution may be contested following the administrative procedure set forth in APC, before the FSC within 14 days of its notification.

Pursuant to Article 15, Paragraph 4 of FSCA in conjunction with Article 149, Paragraph 1 of FSC, the resolution may be contested in court, before the Supreme Administrative Court of the Republic of Bulgaria, within 14 days of its notification, respectively of the ruling of FSC or of the expiry of the term for a statement by FSC, if the Resolution has been contested administratively.

No costs were incurred for the proceedings.

NIKOLAY POPOV

*Deputy Chairperson of the Financial
Supervision Commission, Head of the
Investment Supervision Division*

I, the undersigned *Maria Tsvyatкова Tsvetkova* hereby attest the correctness of the translation that I have rendered from Bulgarian into English of the document enclosed herein. The translation consists of 4 page(s).

Sworn translator:  *Maria Tsvyatkova Tsvetkova*

