

THE REPUBLIC OF BULGARIA
THE FINANCIAL SUPERVISION COMMISSION

RESOLUTION No 651 – IP

of 14 July 2014

Proceedings were initiated under Article 20, Paragraph 2, Item 4 of the Financial Instruments Markets Act (FIMA) in conjunction with Article 13, Paragraph 1, Item 5 of the Financial Supervision Commission Act (FSCA) and Article 24, Paragraph 1, Sentence 1 of the Administrative Procedure Code (APC) with a resolution under Record No 31 of 30 June 2014 of the Financial Supervision Commission (FSC) on the revocation of the investment intermediary (II) license of Global Markets OOD, Sofia, issued with Resolution No 799 – IP dated 16 July 2008 of the FSC.

With a letter with outgoing No RG-03-227-31 of 30 June 2014, II Global Markets OOD was informed about the proceedings initiated by the FSC with a resolution under Record No 31 of 30 June 2014 regarding the revocation of the license issued to it. The above letter determined a 5-day period for the company to submit its explanations and objections. The letter was received by II Global Markets OOD at its e-mail address (frontdesk@globalmarkets.bg) on 30 June 2014.

Within the established period, no explanations and objections were submitted to the FSC.

With regard to the initiated proceedings, the FSC has established the following:

I. The facts:

1. With Resolution No 799 – IP/16 July 2008, the FSC issued a license to II Global Markets OOD to carry out the business of an II in the territory of the European Union and the European Economic Area for the investment services and activities set out in Article 5, Paragraph 2, Items 1, 2, 4, 5 and 7 of FIMA and for the additional services set out in Article 5, Paragraph 3, Items 1 - 5 and Item 7, in conjunction with the services set out in Paragraph 2, Items 1, 2, 4, 5 and 7 and Paragraph 3, Items 1 - 5 of FIMA.

In the capacity of a licensed investment intermediary, II Global Markets AD is governed by the provisions of the FIMA and the secondary legislation on its implementation.

The company was entered in the registry under Article 30, Paragraph 1, Item 2 of FSCA under No RG-03-227.*

According to the data entered under the batch of II Global Markets OOD in the Trade Register, the company is represented by Manager Yordan Mollov severally and by Manager Robert Dimitrov only jointly with Yordan Mollov.

2. With Order No 22 dated 8 February 2010 of the Deputy Chairperson of the FSC, Head of the Investment Supervision Division, an inspection of the documentation of II Global Markets OOD was carried out. The inspection established violations of the provisions of Regulation No 35 on the capital adequacy and liquidity of the investment intermediaries (Regulation No 35), for which II Global Markets OOD was issued a total of 14 notices establishing administrative offences (NEAOs). 10 of the penal rulings (PRs) issued on the basis of these NEAOs have become effective:

- NEAO No R-06-245 dated 17 May 2010 for an offence **committed on 24 December 2009** under Article 77, Paragraph 2, Sentence 1 of Regulation No 35, on the basis of which PR

No R-10-251 dated 10 September 2010 was issued, was appealed against and became effective on 7 January 2013.

- NEAO No R-06-246 dated 17.05.10 for an offence **committed on 24 October 2009** under Article 77, Paragraph 2, Sentence 1 of Regulation No 35, on the basis of which PR No R-10-253 dated 10 September 2010 was issued, was appealed against and became effective on 2 December 2011.

- NEAO No R-06-247 dated 17 May 2010 for an offence **committed on 31 December 2009** under Article 77, Paragraph 1, last sentence, in conjunction with Article 144, Paragraph 1, Item 1 of Regulation No 35, on the basis of which PR No R-10-254 dated 10 September 2010 was issued, was appealed against and became effective on 8 August 2012.

- NEAO No R-06-248 dated 17 May 2010 for an offence **committed on 28 February 2010** under Article 77, Paragraph 1, last sentence, in conjunction with Article 144, Article 1, Item 1 of Regulation No 35, on the basis of which PR No R-10-256 dated 10 September 2010 was issued, was appealed against and became effective on 27 December 2011.

- NEAO No R-06-249 dated 17 May 2010 for an offence **committed on 31 October 2009** under Article 77, Paragraph 1, last sentence, in conjunction with Article 144, Article 1, Item 1 of Regulation No 35, on the basis of which PR No R-10-255 dated 10 September 2010 was issued, was appealed against and became effective on 22 June 2011.

- NEAO No R-06-251 dated 17 May 2010 for an offence **committed on 20 October 2009** under Article 78, Paragraph 1 of Regulation No 35, on the basis of which PR No R-10-247 dated 10 September 2010 was issued, was appealed against and became effective on 30 May 2011.

- NEAO No R-06-253 dated 17 May 2010 for an offence **committed on 24 November 2009** under Article 78, Paragraph 1 of Regulation No 35, on the basis of which PR No R-10-269 dated 10 September 2010 was issued, was appealed against and became effective on 17 November 2011.

- NEAO No R-06-254 dated 17 May 2010 for an offence **committed on 16 February 2010** under Article 78, Paragraph 1 of Regulation No 35, on the basis of which PR No R-10-245 dated 10 September 2010 was issued, was appealed against and became effective on 15 June 2012.

- NEAO No R-06-255 dated 17 May 2010 for an offence **committed on 18 February 2010** under Article 78, Paragraph 4, Sentence 1, in conjunction with Paragraph 1 of Regulation No 35, on the basis of which PR No R-10-252 dated 10 September 2010 was issued, was appealed against and became effective on 24 October 2011.

- NEAO No R-06-257 dated 17 May 2010 for an offence **committed on 24 October 2009** under Article 78, Paragraph 4, Sentence 1, in conjunction with Paragraph 1 of Regulation No 35, on the basis of which PR No R-10-248 dated 10 September 2010 was issued, was appealed against and became effective on 7 November 2011.

With Order No 97 dated 15 June 2011 of the Deputy Chairperson of the FSC, Head of the Investment Supervision Division, an inspection of the activities of II Global Markets OOD was carried out. The inspection established that II Global Markets and its employees violated the provisions of FIMA and the secondary legislation on its implementation, for which violations 14 NEAOs were issued. 2 of the penal rulings issued on the basis of these NEAOs have become effective:

- NEAO No R-06-607 dated 24 August 2011 for an offence **committed on 31 August 2010** under Article 77, Paragraph 1, Sentence 2 of Regulation No 35, on the basis of which PR No R-10-96 dated 23 February 2012 was issued, was appealed against and became effective on 2 December 2013.

- NEAO No R-06-608 dated 24 August 2011 for an offence **committed on 1 September 2010** under Article 77, Paragraph 2, Sentence 1 of Regulation No 35, on the basis of which PR No R-10-95 dated 23 February 2012 was issued, was appealed against and became effective on 28 June 2013.

3. With Order No 398 dated 07/12/2012 of the Deputy Chairperson of the FSC, Head of the Investment Supervision Division, an inspection of the activities of II Global Markets OOD was carried out. The inspection established a large number of violations committed by II Global Markets OOD and its employees under FIMA and the secondary legislation on its implementation, for which a total of 87 NEAOs were issued, 3 further NEAOs were issued with regard to a violation of the provision of Article 32 of the Financial Supervision Commission Act.

3 of the PRs issued on the basis of the NEAOs for violations committed by Yordan Mollov in his capacity of Manager of II Global Markets OOD (in the capacity of a person under Article 11 of FIMA) have become effective:

- NEAO No R-06-165 dated 12 March 2013 for a violation **committed on 9 March 2012** under Article 27, Sentence 1 in conjunction with Article 24, Paragraph 5 of Regulation No 38 on the requirements to the activities of investment intermediaries (Regulation No 38), on the basis of which PR No R-10-341 dated 31 July 2013 was issued, was appealed against and became effective on 7 May 2014.

- NEAO No R-06-170 dated 12 March 2013 for a violation **committed on 3 July 2012** under Article 27, Sentence 1 in conjunction with Article 24, Paragraph 5 of Regulation No 38, on the basis of which PR No R-10-346 dated 31 July 2013 was issued, was appealed against and became effective on 23 June 2014.

- NEAO No R-06-168 dated 12 March 2013 for a violation **committed on 27 January 2012** under Article 27, Sentence 1 in conjunction with Article 24, Paragraph 5 of Regulation No 38, on the basis of which PR No R-10-344 dated 31 July 2013 was issued, was appealed against and became effective on 4 April 2014.

4. In connection with the activities of II Global Markets OOD as an investment intermediary, the following was also taken into consideration:

4.1. The results of the inspection carried out pursuant to Order No 398 dated 7 December 2012 of the Deputy Chairperson of the FSC were recorded in Certificate of Findings No R-04-20 dated 20 February 2014, according to which a large number of violations of the applicable legislation have been established with regard to the activities performed by II Global Markets OOD, including:

- conclusion of transactions with financial instruments in a professional capacity for the company's own account, without a license issued by the FSC for this activity, using the funds of its clients for its own benefit;

- violations of the applicable legislation in the conclusion of contracts with clients;

- an employee of Global Markets OOD carries out functions for its Internal Control Department without being familiar with the legislation governing the activities of the investment intermediaries;

- II Global Markets OOD does not have the necessary identification documents for a part of its clients in compliance with the requirements of the Measures against Money Laundering Act;

- the representative of the company has failed multiple times to provide the required documents and written explanations as well as to provide access to the information contained in the systems used by the II, whereby he has obstructed the efforts of the authorised administration officers of the FSC to carry out their supervisory duties.

As a result of the inspection and the violations of FIMA and the secondary legislation on its implementation established with Certificate of Findings No P-04-20 dated 20 February 2014; 42 recommendations have been issued, but the FSC has not been furnished with proof of an alignment of the activities of the II in full compliance with the applicable legislation. To the extent that following an application with incoming No RG-03-227-31 dated 27 March 2014 with which II Global Markets OOD placed a request for revocation of its investment intermediary license issued by the FSC, on the basis of which proceedings have been initiated against the company under Article 20, Paragraph 1, Sentence 2 of FIMA for termination of the

business of the company as an II, no additional proof has been requested by the company for fulfilment of the issued recommendations.

4.2. II Global Markets OOD has established branches following the procedure set out in Article 60 of FIMA in Poland and the Czech Republic and has submitted notifications for freedom to provide services in the territory of other member states under Article 61 of FIMA for Austria, Romania, Slovenia, Hungary, Cyprus, the Netherlands, the United Kingdom, France, Italy, Greece, Malta, Portugal, Luxembourg, Ireland, Sweden, Belgium, Germany, Denmark, Estonia, Lithuania and Finland.

With a letter with incoming No 32-00-55 dated 16 January 2013, the Polish Financial Supervisory Authority informed the FSC of an inspection initiated against II Global Markets OOD in Poland. The inspection was completed on 12 July 2013, of which the FSC was informed by the Polish Financial Supervisory Authority with a letter with incoming No 32-00-868 dated 8 July 2013. The letter of the Polish regulatory authority lists a large number of established violations of the applicable legislation, including the provision of investment services prior to the conclusion of a contract with a client, as well as the provision of investment services not included in the notification for the establishment of the branch, discrepancies in the reports prepared by the II and provided to clients, erroneous evaluations as to whether the offered services are appropriate for the client, etc. Furthermore, a large number of violations of the Polish legislation are cited.

The activities of II Global Markets OOD through the branches of the company in the Czech Republic and Poland were further investigated in the course of proceedings initiated in connection with letters with incoming No RG-03-227-19 dated 12 April 2012, incoming No RG-03-227-23 dated 23 April 2012, incoming No RG-03-227-32 dated 26 June 2012 and incoming No RG-03-227-16 dated 13 July 2012, regarding the intentions of the company to carry out the business of an II by establishing branches in the territories of Greece, Romania, Hungary and Slovenia, respectively. In the course of these proceedings it was established that: the branch of the company in Poland does not have the organisational structure described in the programme for the activity of the branch submitted to the Polish Financial Supervisory Authority during the notification procedure; the employees are paid very low salaries, which carries the potential risk of embezzlement and damage to the interests of the clients. The company incurs considerable costs for the provision of hired services under concluded cooperation agreements, with contradictory data provided about the exact amounts payable under these agreements and about the grounds for payment. It is indicated that contracts with clients are concluded only in the office in Sofia, with Polish clients travelling there for this purpose, without an indication as to who covers the considerable travel expenses of these clients. In the course of the proceedings, contradictory data and documents containing material discrepancies have been submitted repeatedly. The FSC has not been furnished with proof of the full compliance of the activities of the branch in Poland with the applicable legislation.

From 2010 to date, FSC has received a large number of complaints from clients of II Global Markets OOD, a portion of them from foreign nationals, and it has also been informed with a letter with incoming No RG-03-227-7 dated 15 January 2014 by II Global Markets OOD about complaints received by the company from Slovak nationals. Information about complaints from Slovak nationals was also provided by the Slovak regulatory body with a letter with incoming No 32-00-381 dated 11 March 2014. The latter advises that the National Bank of Slovakia has received complaints in connection with the activity of the branch of II Global Markets OOD in Slovakia, in which complains the clients provide information about irregular activities and methods of provision of investment services. The Slovak regulatory body states that the branch carries out activities in violation of the Markets in Financial Instruments Directive (MiFID), and the letters, of the regulatory body to the company which aim to clarify the circumstances pertaining to the offered services, are returned undelivered, and insists that the FSC undertake the necessary supervisory measures with regard to II Global Markets OOD.

4.3. On the basis of an application with incoming No RG-03-227-31 dated 27 March 2014 with which II Global Markets OOD placed a request for revocation of its investment intermediary license issued by the FSC, proceedings have been initiated against the company under Article 20, Paragraph 1, Sentence 2 of FIMA (waiver of license).

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. Regardless of the coercive administrative measure imposed on II Global Markets OOD with Resolution No 467-IP dated 13 May 2014, 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).

With a letter with incoming No RG-03-227-31 dated 22 April 2014, the II 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. Regardless of that, the FSC has received complaints from clients, which demonstrate that these persons have not been informed about the termination of the investment intermediary activities of the company and that their relations with II Global Markets OOD have not been settled.

It has been established that as of 30 April 2014 the website of II Global Markets OOD <http://www.globalmarkets.bg/> is active and it contains an easily accessible tab *Become Our Client Now* but that it does not feature any information about the decision of the company to waive its investment intermediary license.

II. In view of the facts provided above, the FSC considers as established the following:

1. With enforced penal rulings, 12 administrative offences against Regulation No 35, which is an FIMA implementing act, have been established beyond any doubt as committed by II Global Markets OOD. The offences were committed in the period from 20 October 2009 to 1 September 2010, i.e. within a one-year period. The committing of 3 or more administrative offences within a one-year period, as is the case with the established offences, constitutes a "systematic offence" within the meaning of Article 1, Item 40 of the Additional Provisions of FIMA.

The systematic administrative offences committed by II Global Markets OOD against Regulation No 35 in its capacity of an FIMA implementing act constitute grounds for revocation of the issued to the investment intermediary license to carry out the activities set out in Article 20, Paragraph 2, Item 4 of FIMA.

2. With enforced PRs, 3 administrative offences against Regulation No 38, which is an FIMA implementing act, have been established beyond any doubt as committed by Yordan Mollov in his capacity of a person under Article 11 of FIMA (Manager of II Global Markets OOD). The offences were committed in the period from 27/01/2012 to 03/07/2012, i.e. within a one-year period. The committing of 3 or more administrative offences within a one-year period, as is the case with the established offences, constitutes a "systematic offence" within the meaning of Article 1, Item 40 of the Additional Provisions of FIMA.

The systematic administrative offences committed by Yordan Mollov (a person under Article 11 of FIMA) against Regulation No 38 in its capacity of an FIMA implementing act constitute grounds for revocation of the issued to the investment intermediary license to carry out the activities set out in Article 20, Paragraph 2, Item 4 of FIMA.

In addition to the grounds under Article 20, Paragraph 2, Item 4 of FIMA, it has further been taken into consideration that in the course of the inspections carried out, II Global Markets OOD repeatedly provided contradictory and incomplete data and also that the documents submitted in the course of the license waiver proceedings contained omissions and inconsistencies, that in the course of the inspections gross violations of the applicable legislation were established, including the investment intermediary using client assets and inefficient performance of duties by an employee of the Internal Control Department, that the FSC has received a large number of complaints from clients and that it continues to receive such complaints regardless of the allegation of the II that it has settled its relations with all of its clients, all the above leading to the conclusion that the activities of the investment intermediary pose a considerable risk of damage to the rights and interests of the company's clients, who are not only Bulgarian nationals but also nationals of other member states in the territory of which the company carries out business activities.

In view of the above, pursuant to Article 13, Paragraph 1, Item 5 in conjunction with Article 15, Paragraph 1, Item 1 of FSCA and Article 20, Paragraph 2, Item 4 of FIMA

THE FINANCIAL SUPERVISION COMMISSION

RESOLVED:

TO REVOKE the license issued with Resolution No 799 - IP dated 16 July 2008 to Global Markets OOD, with seat and management address: 38 Maystor Alexi Rilets Str., Manastirski Livadi, Vitosha, Sofia, to carry out the activities of an investment intermediary.

Pursuant to Article 13, Paragraph 3 of FSCA, the Resolution may be appealed before the Supreme Administrative Court within 14 days of its announcement, which does not suspend its enforcement.

CHAIRPERSON:

STOYAN MAVRODIEV

I, the undersigned Maria Tsvyatkovna 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 6 page(s).

Sworn translator: Maria Tsvyatkovna Tsvetkova

