# Group Policy on the Exchange of Financial and Tax Information

## 1. BACKGROUND

The environment for tax reporting between international jurisdictions has been undergoing significant change in a global effort to improve tax transparency.

The Foreign Accounts Tax Compliance Act (FATCA) was imposed by the USA starting in 2014. Its fundamental objective is to identify those U.S. persons, who may be evading tax, through the use of offshore accounts and to ensure that the Internal Revenue Service ("IRS") can identify and collect the appropriate amount of tax from all U.S. persons. Several countries signed Intergovernmental Agreements with the USA, in order to facilitate the implementation of FATCA provisions by FIs in their jurisdictions. FATCA came into effect in Cyprus on 02/01/2015.

Following FATCA and in a global effort to improve tax transparency, the OECD promoted the implementation of the Common Reporting Standard (CRS) which provides for the automatic exchange of information between participating jurisdictions. Currently more than 100 jurisdictions participate in this OECD’s initiative. CRS came in effect in Cyprus on 01/01/2016 as Cyprus (along with 57 other jurisdictions) signed as CRS early adopters.

While CRS draws extensively from FATCA, it has a broader scope and affects a significantly larger number of customers.

## 2. PURPOSE

The Group is committed to the highest standards to comply fully with tax initiatives, relevant legislation and regulations (including Intergovernmental Agreements, Competent Authority Agreements and EU Directives), local country guidelines (including Decrees, Guidance Notes etc.) as well as best practices that govern the automatic exchange of financial and tax information. The purpose of this Policy is to set out the general principles in order to ensure that the Group establishes implements and maintains effective policies and procedures for full compliance with the relevant FATCA and CRS framework.

## 3. SECTORS AFFECTED

This Policy applies to all Group Entities to the extent that is possible given the regulatory framework within which they operate. The content of this Policy is mandatory and represents the minimum standards which apply throughout the Group which includes Bank of Cyprus Public Company Ltd and its branches/subsidiaries both in Cyprus and abroad.

## 4. POLICY – GENERAL PRINCIPLES

The Group will perform its responsibilities in accordance with the provisions of the legal and regulatory framework governing the automatic exchange of financial and tax information.
A. SCOPE AND GOVERNANCE

i. Understanding the regulatory framework
It is critical that each Group Entity understands and addresses the relevant compliance requirements (both FATCA and CRS) as they arise from the regulatory framework of the jurisdiction it is located in. This framework may include Intergovernmental Agreements, Competent Authority Agreements, EU Directives, local legislation and guidelines etc. All staff should be properly trained in relation to the regulatory requirements according to their position and involvement in the implementation process.

ii. Entity Classification and Registration
There are a number of entity classifications under FATCA and CRS (the definitions may not coincide) and each entity must understand its status and classify itself accordingly in order to determine its respective obligations.

All Group Entities that qualify as FIs, must comply with the registration requirements as they arise from FATCA, the local regulatory framework and any agreements they may have entered into with foreign Tax Authorities (eg FFI Agreement with the US IRS).

iii. Governance
Each entity that is classified as an FI should:

a) Assign a project team to facilitate compliance with the regulatory framework. The involvement of the following departments is required: (a) Compliance, (b) Legal, (c) All
Business Lines, (d) Information Technology, (e) Change Delivery Department, (f) Operational Risk, (g) Finance etc.

b) Form a Steering Committee (CRS/FATCA) (based on entity size and scope) to facilitate decisions as considered necessary. If set up, it should include Directors (or Senior Officers with relevant authorities) of business lines as well as of control functions and will have the ultimate responsibility for the implementation of the relevant regulatory framework. Upon fulfillment of the CRS/FATCA project the role of the Steering Committee will be gradually diminished.

c) Appoint a Responsible Officer (RO). Even though there may not be a requirement for the appointment of an RO, each Group FI should appoint one. The RO will act as point of contact with the local Tax Authorities, oversee compliance with the regulatory framework and provide any certifications as required.

d) Develop written procedures and manuals to implement compliance responsibilities arising from the relevant framework and arrange for relevant staff trainings

iv. Implementation of FATCA/CRS and Local Competent Authorities
The Bank liaises with the Local Competent Authorities and other professional bodies e.g. ICPAC etc. to ensure that the local guidelines reflect regulatory requirements and support the FATCA/CRS implementation in an efficient and effective manner in the interest of both the Group and our customers.

B. CUSTOMER DUE DILIGENCE

As a general rule each reporting FI must enhance its due diligence review information and, if necessary, obtain additional documentation from account holders to establish their status in order to determine which are subject to reporting and/or withholding obligations (if applicable).

AML/KYC, CRS and FATCA due diligence procedures should be aligned and consolidated as far as possible, so that relevant information is collected in the most efficient and effective manner, with the minimum burden on our customers and staff.

All Group FIs should have in place procedures to protect the privacy rights of individuals in accordance with the Data Protection Law and the respective policies.

i. Customer Identification
Each FI must have in place procedures to ensure that:

a) All new account holders provide at client opening, all forms and information necessary for their classification and identification.

b) Pre-existing account holders are identified as potentially “Reportable accounts” and marked in the systems according to the requirements and deadlines of the applicable regulatory framework and any relevant agreements that the FI may have entered into with Tax Authorities.
Where reporting and due diligence thresholds are allowed each FI may take up the election.

ii. Customer Documentation
Each FI must have in place procedures to ensure that the valid self-certification documents which incorporate both FATCA and CRS requirements are obtained from all account holders, both new and pre-existing ones, identified as potentially reportable. For a self-certification document to be valid it must be duly completed and signed by the account holder and verified against other information collected in respect of the client for AML/KYC purposes. Overall the FATCA/CRS requirements should be embedded into the normal business processes and should not be considered as a separate process.

iii. Data Analysis
It is critical to ensure that systems are leveraged to support and facilitate compliance with the regulatory requirements. It is important to clarify system requirements, capture initial data on systems, identify gaps and take remedial actions.

iv. Communication
Each FI should develop a clear, proper and transparent internal and external communication for FATCA and CRS, via various channels (e.g. Website, Compliance Portal, FAQs, Circulars, Presentations, press releases etc.). Internal communication should be developed in a manner that highlights the impact and key processes implementing the respective regulatory frameworks and solves any questions/enquiries. External Communication Strategy is important so as to ensure that customers receive proper and timely information, and the FI receives the relevant documentation (i.e. valid self-certification forms and supporting documentations) from them in the most efficient way.

It is of the utmost importance to ensure that no information that may be perceived as tax advice is given to customers, as this is explicitly forbidden by the regulatory framework for both FATCA and CRS. Where the customer is not aware of his/her tax status or seeks advice, he/she should be immediately referred to his/her tax advisors and staff should refrain from giving any tax advice.

C. REPORTING

Bank of Cyprus Public Company Ltd and all Group subsidiaries in Cyprus report to the Cyprus tax authorities based on the FATCA Intergovernmental Agreement (IGA Model 1) of Cyprus with the United States and the CRS requirements.

In case a subsidiary is located and operating in a partner jurisdiction (i.e. a jurisdiction that has in place an IGA with the USA) or a jurisdiction participating to the CRS, reporting should be done to the local Tax Authorities. Direct reporting can only take place to the US IRS for FATCA purposes, provided that the FI has in place a relevant agreement with such authorities.

Each reporting FI must closely monitor developments in the Reporting Requirements of the jurisdiction in which it operates, as the local list of reportable jurisdictions may undergo changes.
at any given period of time. Furthermore each country is likely to provide individual reporting profile and implement local reporting channels.

**D. COMPLIANCE**

Each FI must enhance the AML/KYC compliance framework to encompass the requirements of the tax transparency framework. Documentation and certifications provided by clients should be reviewed and validated against other information collected in relation to the client, as well as against the personal knowledge of the Relationship Manager/Personal Banker of the client. Therefore properly documented procedures and clear internal communication materials (eg circulars, procedures manuals etc) should be provided to all responsible staff.

Effective implementation of FATCA and CRS as of any other regulatory framework requires involvement of all “Three Lines of Defense” as per the diagram below. Therefore compliance should be regularly monitored, in co-operation with other control functions such as the Internal Audit, Operational Risk etc.
5. **Roles and Responsibilities**

All responsibilities should be clearly assigned, explained and monitored (refer to Appendix A).

6. **Supporting Procedures and Tools**

There should be written, well documented and detailed procedures for the implementation of the regulatory framework and these should be effectively communicated to all relevant staff. Systems and tools should be adjusted accordingly and staff adequately trained to support effective FATCA and CRS implementation and monitoring process.
ALLOCATION OF RESPONSIBILITIES IN RELATION TO FACTA/CRS COMPLIANCE

| Responsible Officer | The RO must have the appropriate authority and seniority to execute his/her responsibilities.  
Responsibilities are as follows:  
a) Act as the central point of contact with external stakeholders such as the local Tax Authorities as well as internal stakeholders for CRS and FATCA compliance and related issues.  
b) Register the Reporting FI to the local and US IRS (as applicable) as per regulatory requirements.  
c) Ensure timely communication and implementation of the policies and procedures in relation to the Exchange of Financial and Tax Information, across the FI.  
d) Ensure the development and maintenance of effective internal controls to ensure compliance with the regulations.  
e) Ensure compliance with the relevant Regulatory Framework. Therefore he/she must ensure that the FI adopts such a compliance program that allows him/her to certify compliance with the relevant Regulatory Framework to the Tax Authorities as and when requested.  
f) Review findings of internal audit, Compliance, risk management and Line Directors’ (via LCOs) in relation to FATCA/CRS compliance and ensure that the appropriate procedures and remedial actions have been performed across the organization.  
g) Make certifications to the Tax Authorities and other external stakeholders as and when required (including provision of Self-certifications).  
A procedure must be in place to support this policy, with all documents/confirmations templates (and frequency) that need to be circulated by the RO to Line Directors and Control Functions to confirm compliance. |
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<td>Line Directors</td>
<td>Line Directors have the ultimate responsibility and accountability for adherence to this policy (owners) and corresponding circular within their Divisions. Specifically, Line Directors are responsible for monitoring the implementation of relevant procedures for both new and pre-existing customers and imposing remedial actions when deemed necessary. Line Directors should facilitate, monitor and report compliance with Framework for the Automatic Exchange of Financial and Tax Information to the Responsible Officer and Compliance with the support of the LCO.</td>
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<td>Group Compliance Division/or</td>
<td>The responsibilities of the GCD are as follows:</td>
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| Subsidiary Head of Compliance | a) Monitoring any new developments in relation the regulatory framework of Framework for the Automatic Exchange of Financial and Tax Information and ensuring timely changes in internal processes and procedures if required.  
b) Assessment of the implementation of Framework as a 2nd line of defence.  
c) Offering support to staff as and where required to ensure correct implementation of Framework.  
d) Ensuring that sufficient training is provided to the staff, on an as need basis. |
| Local Compliance Officer | The role of the LCO includes the following responsibilities:  
a) Assessment of the implementation of Framework for the Automatic Exchange of Financial and Tax Information by the respective Lines as a 1st line of defence. This includes:  
• review of adherence to timelines  
• review of adherence to the plans submitted by the lines to compliance  
• review of process of updating client data  
• reporting accordingly on compliance and providing remedial recommendations  
• facilitate relevant trainings  
• monitoring and facilitate due diligence procedures and customer communication plan  
b) Offering support to the staff of the respective Lines for the implementation of the relevant procedures |
| Internal Audit | Internal Audit acts as the 3rd line of defense by incorporating risk of non-compliance with FATCA/CRS into its risk and audit universe. Compliance reviews are performed periodically and their findings are reported to the Responsible Officer and Compliance Function accordingly. |
| Operational Risk | Operational Risk as a 2nd line of defense is responsible:  
a) For ensuring that appropriate systems, processes and procedures are in place to comply with the relevant regulations and  
b) For identifying and assessing the risk of non-compliance with the relevant framework through various operational risk management policies and methodologies, the most important being the Risk self-assessment process which covers all material activities. |
| Change Delivery Department | Develop and update written procedures to implement compliance with the Framework for the Automatic Exchange of Financial and Tax Information |
and ensure (in cooperation with IT department) that systems and data analysis are leveraged to support these procedures.

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<th>Information Technology Department</th>
<th>Develop/update systems to support compliance responsibilities and statutory reporting.</th>
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<td>Finance Department</td>
<td>Provide the required data and facilitate the process of entity classification. Provide information regarding changes in the Group structure or entity activities so that any necessary adjustments in entity classification can be implemented.</td>
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