Regulatory Coordination &
Communication with Competent Authorities Policy

1. **PURPOSE**

Bank of Cyprus Group operates in a constantly changing and demanding regulatory and supervisory environment.

As per the Group Risk Appetite Statement the Bank ensures that it adopts all regulatory, legal and compliance developments in a proportionate way that satisfies the requirements of the regimes in a pragmatic, cost-effective manner and maintains a zero tolerance for regulatory fines. Consequently, non-compliance to regulatory requirements shall immediately trigger mitigation/rectification actions.

The purpose of this policy is to clearly state and define the general principles and processes that need to be applied across the Group in order to ensure that:

- All new regulatory, legal and compliance developments are timely and properly identified, communicated, assigned, implemented and monitored within the Group.

- There are procedures in place to ensure proper and effective communication with Competent Authorities.

For the purposes of this document, a Regulatory Obligation refers to any obligation / request or project that originates from any of the Competent Authorities shown in Appendix A of this document as a result of changes effected from time to time to Laws and Regulations.

2. **SECTORS AFFECTED**

All Group entities must, as a minimum, meet the requirements set out in this Policy.

3. **DEFINITIONS**

**Owner:** The Division that is responsible to co-ordinate and monitor the regulatory framework either by itself or through a project team, depending on the nature and complexity of the regulatory framework under consideration. In cases where only one Division is identified as being Responsible or mostly affected, then this Division will be identified as Owner as well as Responsible for implementation. In those cases that a regulatory framework affects several divisions, but it requires specific expertise and knowledge, Owner is assigned the Division that is mostly affected, has this expertise and has the final decision making/outcome of the procedure. Finally, the Owner is the responsible Division for providing updates to the Regulatory Compliance Matrix (RCM) containing the regulatory frameworks of its area of ownership.

**Responsible Division:** The Division/Department that is responsible to timely and effectively implement the relevant tasks assigned to it by the Owner in relation to a regulatory framework, in a
complete and quality assured manner. As part of its tasks, the Responsible Division should draft and follow up a relevant action plan and regularly report its progress to the Owner and relevant project team (if any) and to RAD. The LCO of the Responsible Division is the person that will be reporting progress to Group Compliance Division on an on-going basis and at least on a quarterly basis as regards obligations relating to the regulatory framework.

**Competent Authorities:** All the Regulatory /Supervisory bodies that impact the Group operations through oversight or obligation to comply with their laws/regulations/directives etc.(please refer to Appendix A).

### 4. Policy General Principles & Procedures

#### A. General Principles for Monitoring New Regulatory Developments:

![Flowchart of Monitoring Process]

1. **Identification**
   
   a) All sources of information on new laws, directives, regulations and regulatory standards and / or any amendments / clarifications to these, should be properly identified and registered by the GCD and RAD and/or other specialized Units that have significant compliance responsibilities and duties.

   b) GCD is responsible to ensure that necessary mechanisms and tools are in place for the proper, frequent and pre-emptive monitoring of all sources of new compliance developments e.g. subscriptions, email alerts, scheduled visits to Regulators’ websites, participation in Associations etc. Monitoring should be specified e.g. at least on a weekly basis.

   c) Additionally, specialized departments should inform GCD and RAD on new or proposed regulations/legislations/ developments etc. that may come to their attention.

   d) A list of all Competent Authorities should be maintained and updated accordingly by the GCD and RAD.

   e) A central point of communication should exist for all Competent Authorities in order to establish a common mode of communication and a common point of reference for receiving new regulatory developments.

   f) GCD and RAD are both identified as the central point of conduct with the competent authorities. A common email address has been set up for this purpose.

   g) All internal control functions, legal, corporate affairs and other specialized departments affected, cooperate closely so that the requirements that arise by changes in the regulatory framework are properly and timely implemented, in a complete and quality assured manner.
GCD is responsible to maintain and update on an on-going basis a Compliance Chart (a comprehensive and updated register of legal, regulatory and business requirements emanating from laws / regulations / directives. The RAD receives a copy of the Compliance Chart upon request while additionally, LCOs maintain their own, more detailed, Compliance Chart for their area of responsibility. GCD and LCOs perform their compliance risk assessment (CRAM) based on the laws, regulations, directives on the Compliance Charts of each department and any key deficiencies found are reported on the RCM.

h) GCD maintains a consolidated Regulatory Compliance Matrix (RCM) that encompasses the entire regulatory framework that affects the Group and is completed based on the Compliance Chart. This matrix is submitted on a quarterly basis to Top Management. It indicates the Owner of each legislation and the ultimate responsible division/director and it is agreed with Divisional Directors accordingly.

II. Communication & Receipt of New Regulatory Developments and Assessment

- **New laws / regulations / directives**: GCD will notify the RAD, following its initial assessment, expressing its opinion regarding the ownership of the new regulatory obligation, and the RAD will inform the relevant owner Division (with copy to GCD). The RCM and the Regulatory Obligation and Correspondence register kept by RAD will be updated accordingly.

If the owner cannot be easily identified in co-operation with GCD, or if a dispute arises as to the ownership GCD will re-assess the issue and provide a final opinion. If the dispute is not resolved RAD will present the regulatory obligation to the RSG in order to identify the owner Division.

- **Existing laws / regulations / directives (no major amendments)**: If the owner is known or can be easily identified, GCD will inform the relevant owner Division (with copy to RAD).

- **Clarifications issued on directives / Q&As**: GCD and/or other specialized Units that have significant compliance responsibilities and duties should properly seek through relevant links additional clarifications, Q&As from Competent authorities etc., issued on laws, directives and regulations.

Identification and notification should be completed within a reasonable period and definitely never exceeding the timeframe set by the competent authorities.

The Owner Division has the ultimate responsibility for planning out, executing and following up the implementation of the regulatory obligation, in a complete and quality assured manner. RAD should be informed on the progress of implementation at regular intervals, to be agreed between the Owner and the RAD, depending on the type of the regulatory obligation.

III. Implementation and Monitoring

- The Owner of the obligation, has the ultimate responsibility for its implementation, and must ensure:
  
  a) Completeness of the response.

  b) Validity and accuracy of the response and of the data provided (by applying all relevant operational controls).
c) Timely submission of the response.

d) Adherence to approval procedures as per the Bank’s governance processes.

- If needed, the Owner must liaise and involve any other support divisions/departments (e.g. Legal) or control functions (compliance, risk or internal audit), that may be judged as necessary for the implementation of the obligation.

- Implementation of the Bank’s obligations to comply with new / amended regulatory framework, may require the setup of a regulatory project whereby, a Project Manager / Co-ordinator must be assigned by the Owner Director for the implementation of the action plan or prepare a Project Definition Document, providing the specific deliverables and target dates for implementation. For large Regulatory Projects, a separate Steering Committee might be set up to follow and monitor the implementation and quality assurance of the deliverables.

- High level action plans from PDDs, once approved by the Owner Director / Regulatory Project Steering Committee (if any), must be submitted to the RAD and then subsequently relevant progress reports must be provided on a regular basis as agreed between the Owner and the RAD. The RAD will inform the RSG on the progress of the Regulatory project through its normal reporting.

- Action plans may require the participation of the relevant LCO or other support units and must clearly identify responsibilities, resources involved and timeframes.

- The Owner monitors and facilitates the implementation of the relevant action plan and regularly updates the RAD on the progress made.

- RAD monitors all regulatory obligations ensuring that any responses are submitted within the target dates set, are complete and follow all the necessary governance procedures of the Bank. Where deemed necessary, and depending on the importance of the subject matter, additional quality review procedures may be agreed between RAD and the Owner upon receipt of the obligation.

- Whereby the implementation of a regulatory obligation requires the involvement of IT, a process has been established whereby the regulatory / compliance issues are confirmed as such by the RAD or the GCD respectively.
B. **General Principles for Monitoring Regulatory Reports:**

**On-going Reports to Competent Authorities,** which include Financial and / or other data provided by Divisions / Departments to Competent Authorities on a regular basis and incorporate: (a) External Reporting to Competent Authorities and (b) Internal Reporting from Divisions / Departments to BOD or Board Committees that arises from regulatory obligations.

A Consolidated Regulatory Reports Register (both external & internal) should be maintained and updated on a regular basis.

Monitoring of implementation / submission of On-going Reports to Competent Authorities and obligations resulting from the implementation of changes in the regulatory framework on an ongoing basis, should be incorporated in the monitoring procedures of LCOs through CRAM and should ensure the validity and accuracy of these are confirmed by the owner.

5. **Organizational Bodies & Responsibilities**

**Regulatory Steering Group (RSG)**

The RSG is a forum of Senior Executives of the Bank, chaired by the CEO which is informed of all Regulatory / Supervisory matters and ensures proper procedures are in place for the timely identification, recording, effective management, and monitoring of Regulatory obligations and commitments of the Group, thus ensuring full compliance with the legal, supervisory and regulatory framework.

It has the ultimate responsibility for overall oversight on all Regulatory matters’ traffic and ensures that mechanisms are in place for consistent and professional communication, completion within the set target date, to the standard that was expected by the Regulators and, where needed, quality assured thus safeguarding Regulators’ confidence and trust in the Group.

**Regulatory Affairs Department (RAD)**

A department under Group Risk Management assigned to act as the primary central point of contact along with GCD, with the Competent Authorities.

Among other responsibilities, it receives new Regulatory obligations and other communication records and distributes and subsequently monitors progress through regular reports from the Owners. The timely and consistent completion of regulatory obligations is monitored and reported to RSG by RAD. An escalation process is in place for RAD to report any delays affecting the overall regulatory projects target date, to the RSG.

RAD maintains the Consolidated Regulatory Reports Register and the Consolidated Register of Regulatory Requests & Other Communication to Competent Authorities which serve as the source for providing information to RSG.

Besides the regulatory framework obligations RAD handles Other Obligations which are regulatory requirements / obligations that require a response to the Competent Authorities either in a form of a letter, specific data analysis or a detailed action plan as a response to Competent Authority’s recommendation.
**Group Compliance (GCD)**

The compliance function is led by the Director of Group Compliance (D-GCD). It is responsible for pro-actively facilitating the management of compliance risk throughout the Group, thereby helping the Group to comply with regulatory and ethical standards. It is comprised of the Regulatory & Ethics Compliance Department (R& ECD), the Financial Crime Compliance Department and the DPO office. The function has established policies and procedures and a defined governance framework and reporting structure.

GCD has implemented a Group Regulatory & Ethics Compliance Governance Policy to set out an appropriate governance structure for the management and implementation of the compliance function within the Group. One of the main responsibilities is to identify, on an on-going basis, with the cooperation of the Bank’s Legal Services, the Regulatory Affairs Department (RAD) and other competent units of the Bank, the legal, regulatory framework which governs and/or affects the operations of the Bank and ensure that a complete and updated register of the legal and regulatory framework is maintained and that emanating compliance obligations are documented.

6. **RELATIONSHIP WITH BANKING AND OTHER RELATED ASSOCIATIONS**

**Participation in Associations**

The Group may participate in many Associations. The major one is usually the Local Banking Association (Association of Cyprus Banks – ACB), which is involved in the consultations for new regulatory developments or the revision of existing ones, as well as other Bank related matters as a representative body of the member banks.

Very often, the local Banking Association is formally asked by competent authorities to liaise with the Banks for comments on new/revised regulations and/or for the implementation of uniform procedures by all member Banks.

The Local Banking Association usually forms a number of sub-committees (regular or ad-hoc). Participation in all of the Association’s committees is mandatory so that the Group is kept regularly updated for relevant developments on several issues and to ensure that the Group voices its opinion in the Association.

Each committee is under the direct responsibility of a Director. For each regular and ad-hoc Committee of the Association, a number of Bank officers (Committee Specialist members) are assigned, by the responsible Director. These officers have the overall responsibility for the representation and effective communication of the Bank at the Association at the specific committee they are assigned to.

For better coordination and communication, with the Local Banking Association, a Liaison Officer (Banking Association Liaison) has been assigned to act as the main point of contact between the Bank and the Association for all relevant communication with the Association. The Banking Association Liaison, liaises with bank officials (Committee Specialist members), about the various matters requested by the Association, monitors the timely response to the Association’s queries, coordinates the Bank’s Specialist members, ensures that any actions agreed are acted upon, maintains relevant records of the communication received and the actions planned.

Additionally, the Banking Association Liaison submits to RAD bi-weekly updates for updating of the RSG, documenting the main issues handled by ACB and the Parliamentary Committees. Additionally,
he is responsible for notifying the Deputy CEO and the responsible Directors of any decisions taken within the ACB and which were not implemented by the Bank one month after the decision was communicated to the relevant Division.

The Banking Association Liaison keeps an updated list of all Committees of the Association and of the assigned Committee Specialist members. A copy of the list is provided to GCD and RAD and any other party on request.

A separate detailed supporting procedure is in place to manage the communication with the Associations, clearly defining the role and responsibilities of the Banking Association Liaison and the Committee Specialist members.

7. **ROLES & RESPONSIBILITIES**

All responsibilities must be clearly assigned, documented and explained.

8. **SUPPORTING PROCEDURES & DOCUMENTATION**

- Relevant terms of Reference, identified Roles and Responsibilities of the various sectors involved (i.e. GCD, RAD, RSG, etc.) and supporting procedural frameworks are documented separately:
  
  - OE160 describes in detail the Coordination & Communication with Competent Authorities
  - GE2015/121 describes in detail the communication with the Local Banking Association
Appendix A

Competent Authorities / Associations and Central Point of Communication

A. Competent Authorities

For the below Competent Authorities, as well as any changes effected from time to time depending on changes to the Group’s operations, the central point of communication is the GCD and the RAD, with the exception of:

- Insurance Commissioner where the central point of communication will be the Executive Chairman Insurance Business and the RAD and
- Cyprus Securities & Exchange Commission, Police, UK Listing Authority (UKLA, FCA) and Office of the Director of Corporate Enforcement (ODCE) where the central point of communication will be the Company Secretary Office and Arthur Cox.
- Department of Antiquities where the central point of communication will be the BOC Cultural Foundation
- Commissioner of Personal Data where the recipient is the designated Data Protection Officer

- European Central Bank / Single Supervisory Mechanism
- European Banking Authority
- European Council
- Cyprus House of Parliament
- Single Resolution Board
- Central Bank of Cyprus
- Central Bank of Cyprus –Resolution Authority
- Government Bodies (e.g. Ministry of Finance, Ministry of Energy, Commerce, Industry & Tourism)
- Financial Ombudsman
- Commission for the Protection of Competition
- Commissioner for Consumer Protection
- Office of Electronic Communications & Postal Regulations
- Cyprus Stock Exchange
- Central Bank of Ireland
- LSE
- Companies Registration Office Ireland
- Registrar of Companies and Official Receiver
- Digital Security Authority and National CSIRT
- Commissioner for Administration and Protection of Human Rights
- Irish Auditing and Accounting Supervisory Authority

B. Associations

For the Associations below the central point of communication is the Association Liaison, and the RAD and GCD are secondary points of contact:
• Association of Cyprus Banks