



Regulatory Coordination & Communication with Competent Authorities

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 as a result of changes effected from time to time to Laws and Regulations issued from any of the Competent Authorities shown in **Appendix A** of this document.

2. SECTORS AFFECTED

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

3. DEFINITIONS

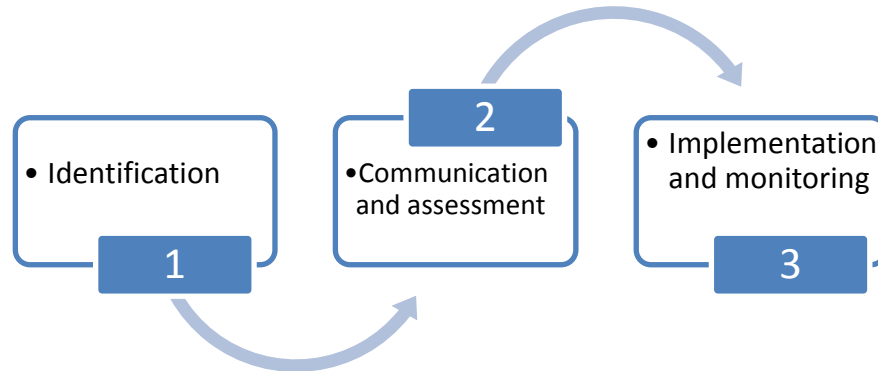
Owner: The Division that is responsible to co-ordinate and monitor the actions to comply with the specific law / directive/regulation either by itself or through a project team, depending on the nature and complexity of the regulatory framework under consideration. In cases where only one Division is 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 law / directive 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 RCM containing the laws / directives 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 law / directive/regulation, 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 Compliance Division on an on-going basis and at least on a quarterly basis as regards obligations relating to the law / directive/regulation.

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:



I. 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 CD and RAD and/or other specialized Units that have significant compliance responsibilities and duties.
- b) CD 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 CD and RAD on new or proposed regulations/legislations/ developments etc. that may come to their attention and may have an impact to the Bank.
- d) A list of all Competent Authorities should be maintained and updated accordingly by the CD 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) CD 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.

CD is responsible to maintain and update on an on-going basis a Compliance Chart (a comprehensive and fully updated register of legal, regulatory and business requirements emanating from laws / regulations / directives. 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. CD 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) CD maintains a consolidated 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 /directive/regulation 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:** CD following its initial assessment of the new law/regulation/ directive will decide the ownership of the new regulatory obligation and will inform the relevant LCO, (with copy to Director and RAD) requesting the LCO to identify whether the Bank is complying. The RCM will be updated accordingly.

If the owner cannot be easily identified in co-operation with RAD, or if a dispute arises as to the ownership CD 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, CD will inform the relevant LCO (with copy to RAD).
- **Clarifications issued on directives / Q&As:** CD 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 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 actions needed to comply with a law / directive, 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 law / directive/regulation, has the ultimate responsibility for its implementation, and must ensure:
 - a) Completeness of the required actions.
 - b) Validity and accuracy of any information provided (by applying all relevant operational controls).
 - c) Timely completion of actions.
 - 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 consider as necessary for the implementation of the law / directive/regulation.
- Implementation of the Bank's obligations to comply with new / amended laws / directives/regulation, 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 for significant laws / directives/regulation, once approved by the Owner Director / Regulatory Project Steering Committee (if any), must be submitted to 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 RAD on the progress made.
- Whereby the implementation of a law / directive/regulation requires the involvement of IT, a process has been established whereby the regulatory / compliance issues are confirmed as such by RAD or CD respectively.

B. GENERAL PRINCIPLES FOR MONITORING REGULATORY REPORTS:

On-going Reports to Competent Authorities, 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 by RAD.

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 and completion of tasks within the set target date. Additionally, it safeguards Regulator's confidence and trust of the Group by providing the adequate quality and standard of work expected by the Regulator.

Regulatory Affairs Department (RAD)

A department under the First Deputy CEO assigned to act as the primary central point of contact along with CD, with the Competent Authorities.

Among other responsibilities, it receives new Regulatory obligations (relating to regulatory framework and others) 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.

Compliance Division (CD)

The compliance function is led by the Director of Compliance (D-CD). 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 & Privacy Compliance Department (R&PCD) which includes also the DPO Office, the Governance & Markets Compliance Department, the Financial Crime Compliance Department. The function has established policies and procedures and a defined governance framework and reporting structure.



CD has implemented a Compliance 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 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.

The local Banking Association is formally asked by competent authorities to liaise with the Banks for comments on new/revised regulation. Additionally, the Local Banking association acts as the forum for the identification of uniform practices by all member Banks where common practices are warranted by legislation or regulators.

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 CD 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. CD, 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

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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 CD and the RAD, except for:

- European Insurance and Occupational Pensions Authority where the central point of communication will be the Executive Director of Insurance and 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
- PCI Security Standards Council

B. Associations

For the Associations below the central point of communication is the Association Liaison, and the RAD and CD are secondary points of contact:

- Association of Cyprus Banks