

## REGULATORY COORDINATION & COMMUNICATION WITH COMPETENT AUTHORITIES

### 1. PURPOSE AND SCOPE OF POLICY

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 or amended 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.

This policy relates solely to the Bank's obligations to be in compliance with the Regulatory Framework in which it operates. Requirements dictated by the Competent Authorities either through their reviews or through direct requests to the Bank for clarifications and / or further information are not covered under this policy. These are handled under the Regulatory Affairs Framework published on the Employee Portal (Knowledge Centre > Group Policies > Regulatory Affairs Department).

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

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## 2. ABBREVIATIONS

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Within this document, the following abbreviations are used:

Abbreviation	Definition
CBC	Central Bank of Cyprus
CRAM	Compliance Risk Assessment Methodology
CD	Compliance Division
CSIRT	Computer Security Incident Response Team
FCA	Financial Conduct Authority
CL	Compliance Liaison
LSE	London Stock Exchange
OD	Organization Department
PCI	Payment Card Industry
RAD	Regulatory Affairs Department
RCD	Regulatory Compliance Department
RSG	Regulatory Steering Group

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## 3. DEFINITION OF TERMS

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For the purposes of this policy, the terms listed below have the following meaning:

### 1. “Owner of Law/Directive Regulation”

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 Compliance chart/Risk Map (a register with the entire regulatory framework affecting each department and provides information on pending issues and necessary actions) and managing regulatory feeds/updates with regards to the laws / directives of its area of ownership. The owner and responsible departments receive relevant regulatory updates and handle them accordingly.

### 2. “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

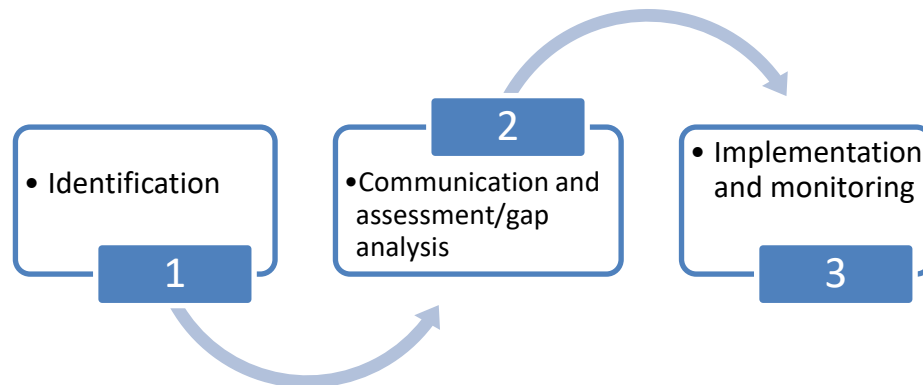
progress to the Owner and relevant project team (if any) and to RAD. The LCO CL of the Responsible Division is the person that will be reporting progress to Compliance Division on an on-going basis through the compliance management system and at least on a quarterly basis as regards obligations relating to the law / directive / regulation.

### 3. “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. GENERAL PRINCIPLES

### A. GENERAL PRINCIPLES FOR MONITORING NEW REGULATORY DEVELOPMENTS:



#### I. Identification

- a) 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. RCD is the owner of the Compliance Management System (OneSumX) which receives daily live regulatory updates with regards to banking, securities and insurance across multiple jurisdictions for new or amended laws and regulations, Q&As, speeches and reports issued by competed authorities. The alerts are assessed centrally by CD and assigned to responsible CLs and other affected departments, for the initiation of the gap analysis process and the risk assessment and monitoring process, in case of deficiencies with the new or amended regulation.
- b) Any other sources of information on new laws, directives, regulations and regulatory standards and / or any amendments / clarifications to these, should be properly identified (via participation to associations, subscriptions, emails etc.) and registered by the CD and/or other specialized Units involved with compliance with the regulatory framework.
- c) Additionally, specialized departments involved with the regulatory framework should inform CD 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 with RAD having the responsibility to assess, allocate and monitor the correspondence.
- 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.
- h) The compliance chart/risk map is maintained, developed and updated through the Compliance Management System, OneSumX, on a real time basis, upon the introduction of new or amended law, regulations and directives. Each new law, regulation or directive is added in the Regulations Library and linked to the appropriate risk from the Risk library.  
The Compliance Chart/Risk map includes all the regulatory framework affecting the activities of a department i.e., all laws, regulations, directives, etc.

## II. Communication & Receipt of New Regulatory Developments and Assessment

- **New laws / regulations / directives:** RCD, following its initial assessment of the new law/ regulation/ directive, will decide the ownership of the new regulatory obligation and will inform the relevant CL through the compliance management system. The CL will have to initiate the gap analysis assessment with the assistance where necessary from RCD, through the system, so to identify any actions needed to ensure that the Bank is complying with the new or amended law and regulation and set up an action plan with mitigating actions for compliance with new law and regulation in case deficiencies are identified.

If the owner cannot be easily identified (i.e. in the case of bankwide regulations) in cooperation 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 CL through the compliance system.
- **Clarifications issued on directives / Q&As:** CD and/or other specialized Units that are involved with compliance with the regulatory framework should properly seek through relevant links to Competent Authorities sites 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. All mitigating actions should be recorded in the compliance system and updated accordingly until completion. Action statuses include 'proposed' and 'completed'. It is noted that upon completion of the actions, for monitoring of the action completion process, the 'completed' status can only be assigned by the compliance officer. Compliance Division should provide a consolidated progress report of all such action plans to RAD raising any issues that need to be escalated to the RSG.

### 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.
- CD provides oversight and challenge with regards to proper implementation so as to ensure adherence with the new regulations. In the case of significant or Bank wide regulations, CD should participate in the various steering committees and the project management teams for the implementation of new or amended regulations.
- If needed, the Owner must liaise and involve any other support divisions/departments (e.g., Legal, Organisation, IT) or other control functions (Risk, Information Security 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 law / directive/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. CD should have participation in the Steering Committee and the Project Management team and should review and assess the project requirements.
- High level action plans for significant law / directive/regulation, once approved by the Owner Director / Regulatory Project Steering Committee (if any), must be submitted to RAD and CD and recorded in OneSumX and then subsequently relevant progress reports must be provided on a regular basis as agreed between the Owner and the RAD. CD will monitor progress on an ongoing basis through the system (CL will update accordingly the system). 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 CL 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. CD monitors implementation of actions through OneSumX.

- 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 Reporting Diary with all the reporting requirements of the group is maintained through OneSumX and alerts are sent to relevant owners to remind them to submit the required report.

Ongoing monitoring of implementation / submission of regular Reports to Competent Authorities and obligations resulting from the implementation of changes in the regulatory framework should be incorporated in the monitoring procedures of CLs and the validity and accuracy of these reports should be reviewed and confirmed by the owner.

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## **5. GOVERNANCE**

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### **5.1 Roles and Responsibilities**

For the purpose of this Policy, the following major Roles and Responsibilities have been identified:

#### **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.

RSG 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 and it also oversees the regulatory requirements progress based on reports provided by RAD.

#### **Regulatory Affairs Department (RAD)**

A department reporting to the Executive Director Finance & Legacy assigned to act as the primary central point of contact along with CD, with the Competent Authorities.

Among other responsibilities, it receives all regulatory communication and records and distributes and subsequently monitors progress through regular reports from the Owners. The timely, qualitative and consistent completion of regulatory obligations and requirements is subsequently reported to RSG by RAD. An escalation process is in place for RAD to report any delays affecting the overall implementation of regulatory obligations and projects, to the RSG. RAD also advises business units on the implementation of the regulatory requests and the conduct of regulatory reviews.

#### **Compliance Division (CD)**

The Compliance function is led by the Chief–Compliance Officer (CCO). 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 Compliance Department (RCD), the Governance & Markets Compliance Department, the Financial Crime Compliance Department, the Strategy, Operations & Analytics Department and the DPO office. 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, assess and monitor on an on-going basis, with the cooperation of the owner / responsible division and other competent units of the Bank (where applicable), 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.

## 5.2 Relationship with Banking and other Related Associations

### Participation in Associations

The Group participates in many associations. The major one is the Association of Cyprus Banks – ACB.

The ACB engages in the following activities:

- Represents the interests of its members when banking regulations are being processed by governmental bodies and pursues policies to ensure a healthy banking sector.
- Enhances the cooperation between member banks and assists with the formulation of collective agreements concerning financial policies and banking practices.
- Reviews national banking legislation and government decisions, evaluates the impact of their implementation and establishes common positions on behalf of its members.
- Cooperates with local authorities to improve the institutional framework governing the practice and development of financial and banking activities in line with the European Union rules and practices.
- Helps to restore consumer trust and confidence, especially following the effects of the financial crisis.
- Encourage banks achieve growth. Supports competition and digital innovation for the benefit of both banks and customers.
- Supports actions for the training and education of bank employees by developing and organizing educational seminars on subjects that affect the local banking and financial sector.
- Provide financial educational programs, both in schools and beyond, aiming at enhancing public awareness about economic concepts and financial matters.
- Promotes the role and involvement of the banking sector to the economic, cultural and social development of the country.

For better coordination and communication, with the ACB, a Liaison Officer is assigned to act as the main point of contact between the Bank and the Association. The liaisons main duty is to develop and maintain constructive relationships with the ACB and the ACB Committees and to ensure that correct and aligned communication between the Senior Management and the ACB and with other government officials and other bodies.

The Banking Association Liaison liaises with bank officials and other stakeholders, about the various matters that arise and are dealt within the Association and monitors the timely response to the Association’s queries. The liaison maintains relevant electronic records of the communication received and the actions planned. Additionally, the Banking Association Liaison is in constant communication with RAD to provide updates to the RSG regarding the main issues handled by ACB and the Parliamentary Committees.

The Banking Association Liaison retains 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.

### **5.3 Supporting 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:

- GE2015/121 describes in detail the communication with the Local Banking Association
- Regulatory Affairs Framework which defines the general principles, guidelines and processes to ensure the Group meets and conforms to all Regulatory requirements in a complete and qualitative way within the target dates set.



## 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.

#### **(a) Local Competent Authorities**

- Cyprus House of Parliament
- 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
- Digital Security Authority and National CSIRT
- Registrar of Companies and Official Receiver
- Commissioner for Administration and Protection of Human Rights
- Environmental Commissioner

#### **(b) European Authorities**

- European Central Bank / Single Supervisory Mechanism
- European Banking Authority
- European Council
- Single Resolution Board
- Central Bank of Ireland
- LSE
- Companies Registration Office Ireland
- 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