



ASSOCIATION OF
CYPRUS BANKS

Annual Report
2013-2014



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1 Message from the Director General



It has been over a year since the Eurozone Finance Ministers' landmark decision (25 March, 2013) regarding the economic assistance programme of Cyprus. Since then, the island's banking sector has implemented a series of long-reaching reforms, according to the Memorandum of Understanding between Cyprus and the Troika (International Monetary Fund, European Commission and European Central Bank). As a result, the two largest Cypriot banks, as well as the cooperatives, have been adequately recapitalized within the Memorandum's provisions in order to be capable of meeting the upcoming challenges set by the feeble economic environment. At the same time, a robust institutional and regulatory framework relating to the financial sector at large is being developed, to an extent not yet implemented in any other EU member state.

Despite the very difficult challenges of the past year, the Cyprus banking sector has shown remarkable determination to implement all necessary reforms, to comply with the Troika requirements and to overcome the adverse economic conditions, with the goal of ultimately restoring itself back to health and regaining the trust of depositors and markets alike.

Significant progress has been achieved from mid-March 2013, when financial institutions operating in Cyprus were forced to remain closed for approximately two weeks. Unsecured depositors of the two largest banks had a large portion of their deposits converted to equity and all depositors were faced with serious restrictions in movement of capital. The level of progress has allowed the gradual lifting of capital controls, in accordance with the road map developed by the Central Bank of Cyprus and the Ministry of Finance in Cyprus together with the Troika. By the end of May 2014, the complete lifting of domestic measures is anticipated, while some measures relating to overseas transactions will remain.

MESSAGE FROM THE DIRECTOR GENERAL

The banking system is beginning to show signs of stability. The level of deposits following the first shock caused by the Eurogroup's decision about a year ago shows clear signs of stabilization, as public trust to banks is gradually being restored. The Bank of Cyprus, the biggest domestic bank, as well as the cooperatives, are in the process of implementing their restructuring plans, while the second biggest domestic bank, Hellenic Bank, has been successfully recapitalized by private sources.

Cyprus is already outperforming its fiscal targets set by the Memorandum, a feat acknowledged by European institutions as well as the IMF. A year after the unprecedented events in Cyprus, the island is making headlines again in international media over its admirable efforts towards recovery and stability. The third review of the implementation of the Economic Adjustment Programme by the Troika was completed last March, leading Cyprus' creditors to comment positively on the attainment of fiscal targets that were met to an extent better than projected, the progress of structural reforms and the completion of the recapitalization of the banking sector. The outperformance of fiscal targets amounts to approximately 2.5 percentage points of GDP.

As far as the economic performance is concerned, 2013 was a year of deep recession which was, nevertheless, milder than initial forecasts had anticipated. Specifically, in 2013, GDP contracted by 5.4%, a performance much better than the 8.7% decline that was initially forecasted by the Troika. For 2014 the recession is expected to slow down, with GDP contracting by 4.8%, whereas 2015, according to the projections of the European Commission, will mark the end of the recession and the return to growth, with GDP increasing by 0.9%.

Highlighting all the positive outcomes which came about as a result of diligent efforts in Cyprus to implement an Adjustment Programme and a decision that has never before been tested anywhere in the EU, is in no way intended to ignore or underestimate the huge challenges lying ahead in the short and medium term. Nevertheless, in spite of these difficulties, Cyprus has in place a comprehensive recovery plan. This plan is in the process of being implemented, while all relevant stakeholders are aware of the obstacles ahead and are prepared to make necessary adjustments to the plan as the need arises.

In Europe, the banking sector is in a transitory stage towards implementation of the Banking Union. The main elements of the Banking Union are about to bring substantial changes to the entire banking sector in Europe, including Cyprus. The assignment of the regulation of systemically important credit institutions to the European Central Bank has a lot of benefits but is fraught with significant challenges.

At the same time, we ought to take global trends into consideration. The banking sector is still in a period of austerity and strict regulation, which has resulted in the streamlining of operations, and the reduction of regulated institutions and operating costs.

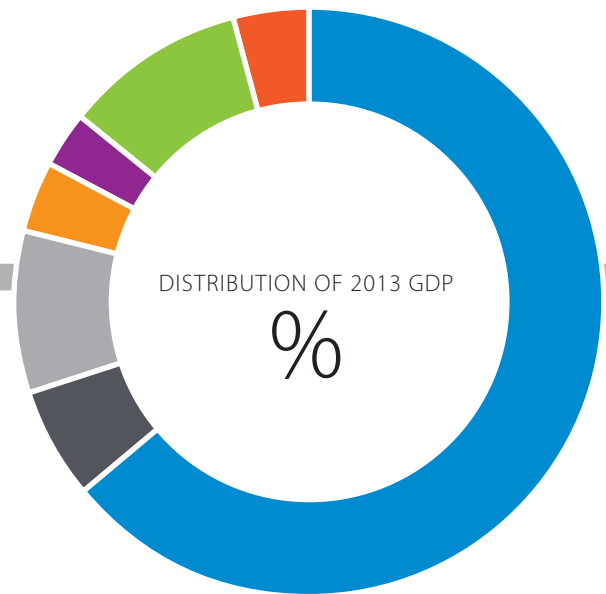
The Association of Cyprus Banks will continue working in cooperation with our members, and with all relevant institutions within and outside Cyprus, towards the earliest possible reinstatement of trust in the domestic banking sector and a timely and successful adjustment to the emerging new environment.

Dr. Michael Kammas
Director General

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Economic
Environment





ECONOMIC ENVIRONMENT

The Cyprus Economy

Cyprus has completed one year under the macroeconomic adjustment programme agreed with the International Monetary Fund (IMF), the European Commission and the European Central Bank. The most notable event during the past year is that while the economy has demonstrably suffered during 2013, the GDP contraction of 5.4% was significantly lower than what had been initially anticipated. The macroeconomic adjustment program implementation remains on track, and the IMF note in their latest review in March 2014 that Cypriot authorities should be commended for meeting their fiscal targets with significant margins, advancing fiscal structural reforms, and completing the recapitalization of the financial system. The factors that contributed towards a milder recession consist of gradually improving confidence levels which helped curb the decline in private consumption, resilient performance of the professional services sector as well as the improved, but volatile outcome of the tourism sector.

Confidence, according to the Economic Sentiment Indicator (published by the Economics Research Centre of the University of Cyprus), is nearing the levels of the first half of 2011. The indicator had reached historic lows in the first months of 2013 but has been steadily recovering since April 2013, portraying the firms' and consumers' improving expectations. The fact that Cyprus has had so far three positive reviews from the Troika is helping confidence to gradually return, both among Cypriots as well as among foreign investors.

PERCENTAGE DISTRIBUTION OF 2013 GDP

Services including tourism	64%
Manufacturing	6%
Transport & Communications	9%
Construction	4%
Agriculture	3%
Financial Intermediation	10%
Others	4%

Source: Statistical Service of Cyprus (provisional data for 2013)

ECONOMIC ENVIRONMENT

Tourism acted as the main lifeline of the economy and tourism revenues recorded an 8% increase in 2013. This was due to increased tourist spending as Russian tourists (by now the second biggest source of tourists for Cyprus) continue to replace British and German arrivals. Nevertheless, the number of arrivals exhibited decrease overall, due to lower prices offered in competitive jurisdictions, while the recent weakening of the ruble and the Ukraine crisis offer causes of concern for tourism's prospects in the coming months.

Professional services have shown signs of resilience, and even though new company registrations were at their lowest levels since 2004, the businesses using Cyprus as headquarters for their operations and holding companies have not departed. Despite the current economic difficulties, Cyprus remains an attractive centre for international businesses, offering foreign investors a business-friendly environment, a low corporate tax regime, highly qualified labour force and strong institutions. The new government has as a priority the reform of public administration and reduction in government bureaucracy in order to make Cyprus more competitive for foreign investors, both existing and prospective. Regulations for residency and citizenship have been revised, making it easier for investors from outside the EU to gain residency and citizenship status. According to the IMF, it is the business services together with the tourism sector that are expected to support the recovery and medium-term growth.

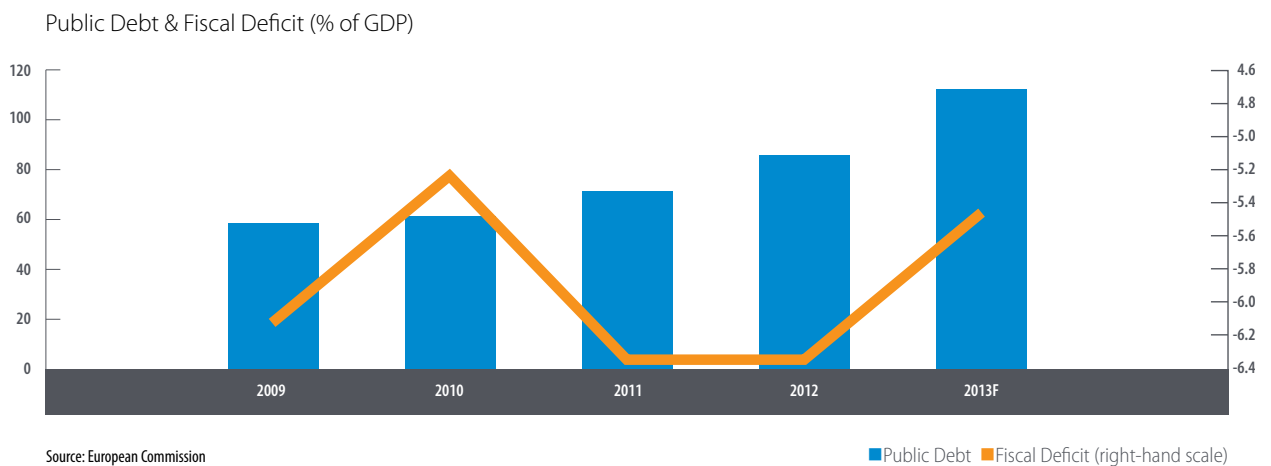
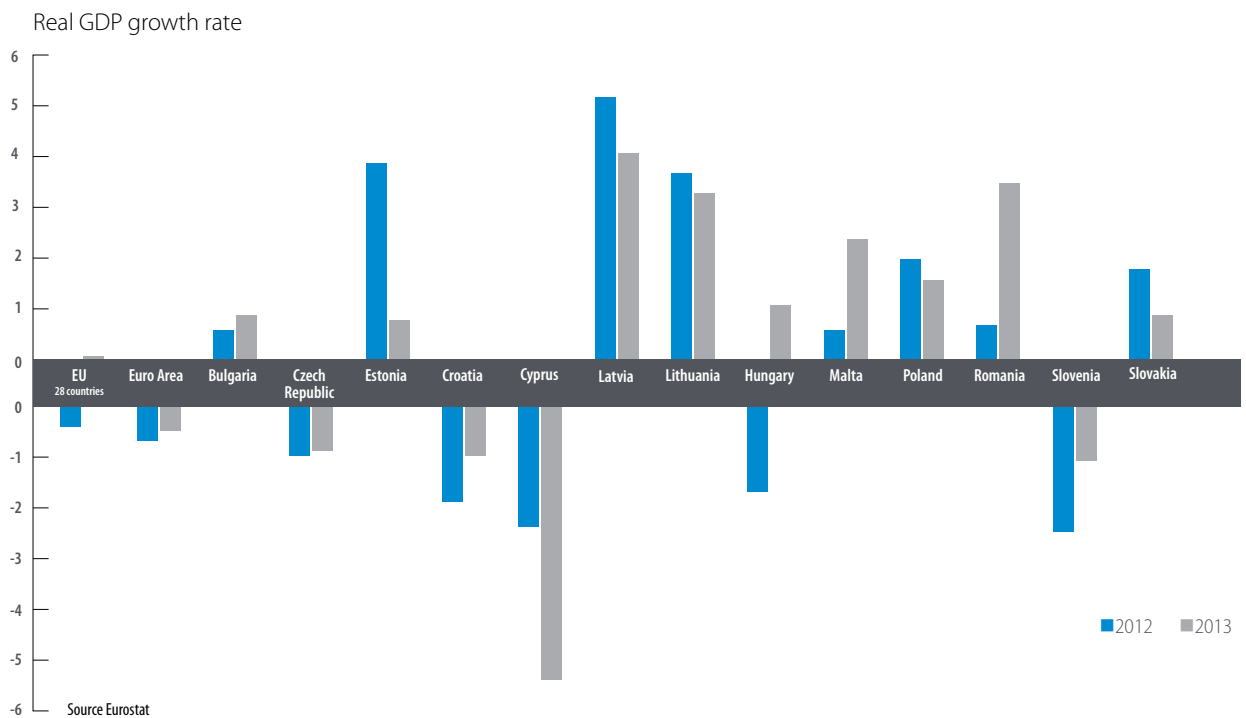
Within the past year, significant fiscal consolidation efforts were undertaken. As a result of these as well as of the milder than anticipated recession, the general government deficit was reduced to 5.5% of GDP, outperforming the initial targets set by the macroeconomic adjustment program.

Inflation as measured by the Harmonized Index of Consumer Prices, slowed sharply throughout 2013 to 0.4% (2012: 3.1%), and turned negative in the first two months of 2014.

GDP REAL, % CHANGE							
	2009	2010	2011	2012	2013	2014F	2015F
Cyprus	-1.9	1.3	0.4	-2.4	-5.4	-4.8	0.9
EE 28	-4.5	2.0	1.6	-0.4	0.1	1.5	2.0
Euro Area	-4.4	2.0	1.6	-0.7	-0.4	1.2	1.8
USA	-2.8	2.5	1.8	2.8	1.9	2.9	3.2
Japan	-5.5	4.7	-0.5	1.4	1.5	1.6	1.3

Source: Eurostat, European Commission

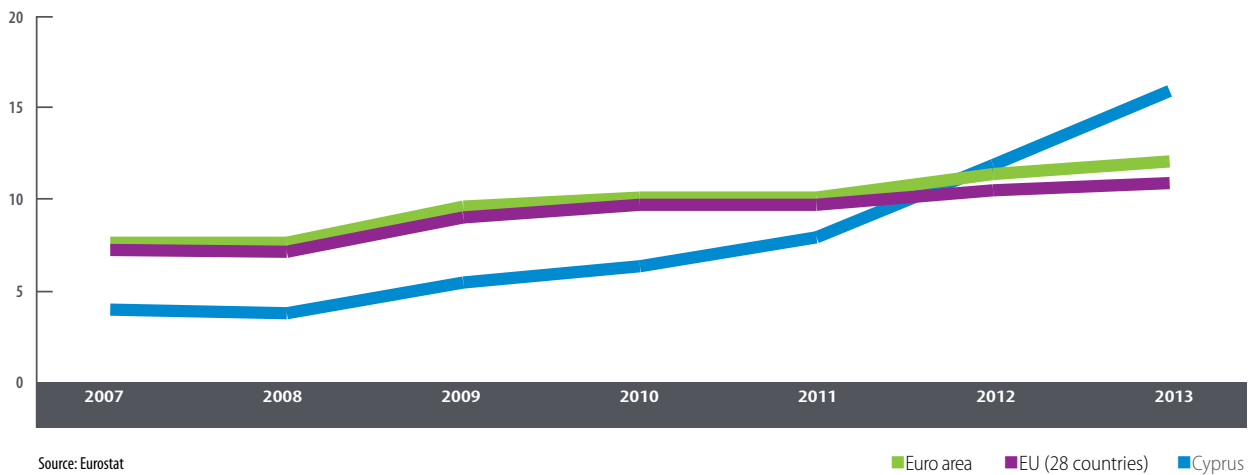
Labor market conditions have deteriorated considerably, and the unemployment rate has increased to 16% for 2013. Due to weak economic conditions, unemployment is expected to deteriorate further in the current year and it is expected to peak to over 19% before decreasing slightly in 2015.



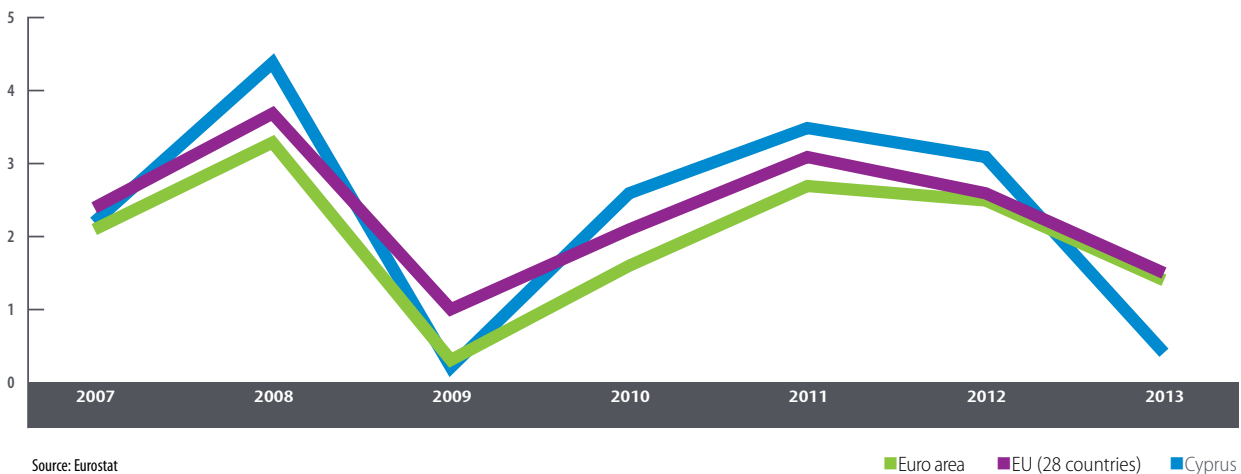
ECONOMIC ENVIRONMENT

Economic conditions are expected to start improving in 2015, whereby the economy is expected to return to low levels of growth of 0.9%. However, significant downside risks remain, both internal and external, while the continuing high levels of private sector indebtedness are likely to keep medium-term growth at low levels. Looking forward, economic benefits from the hydrocarbon exploitation of the Levantine basin are expected to provide a significant boost to the country, and renewed political efforts under way to reunify Cyprus offer hopes for improved growth prospects.

Unemployment in Cyprus, the Euro area & the EU28



Inflation in Cyprus, the Euro area & the EU28



Major Economic Indicators

CYPRUS MAJOR ECONOMIC INDICATORS		2010	2011	2012	2013	2014f
GDP (Real Growth)	% Change (1)	1.3	0.4	-2.4	-5.4	-4.8
GDP (At Current Prices)	EUR mil.	17,406	17,878	17,720	16,504	N/A
GDP Per Capita (EURO)		20,308	21,384	19,911	18,636	N/A
GDP Per Capita (PPS)	EU - 27 = 100	97	94	92	N/A	N/A
Unemployment	%	6.3	7.9	11.9	16.0	19.2
Inflation Rate	% Change (1)	2.6	3.5	3.1	0.4	0.4
Current Account Balance	% of GDP	-9.2	-3.5	-6.8	-1.7	0.0
Fiscal Deficit	% of GDP	-5.3	-6.3	-6.3	-5.5	-5.8
Total Public Debt (2)	% of GDP	61.3	71.1	85.8	112.0	121.5
Total Public Debt (2)	EUR mil.	10,671	12,777	15,351	N/A	N/A

Source: Eurostat, Ministry of Finance, European Commission interim forecast

- (1) Percentage change compared with the corresponding period of the previous year
 (2) Excluding intergovernmental & short-term liabilities of the Central Bank to the IMF.

- **Doing Business 2014 (World Bank):** Cyprus is ranked 39th out of 189 economies.
- **Global Competitiveness Index 2013-2014 (World Economic Forum):** Cyprus is ranked 58th overall out of 148 countries.
- **Index of Economic Freedom World Rankings 2014:** Cyprus is ranked 46th out of 178 countries

Stock Market Developments

The Cyprus Stock Exchange (CSE) has been impacted most adversely by the negative developments of the economic crisis during the past year and the trading volumes were substantially reduced. The large reduction in transaction volumes was due to the delisting of one of the major listed companies, Cyprus Popular Bank and due to the ongoing suspension of Bank of Cyprus, the largest listed company. The total volume of trading in the CSE was reduced to €63 million in 2013, down from €260 million in 2012.

Listing of collective investment schemes

March 2014 marked the first listings of UCITS in the CSE, specifically, of two single scheme UCITS and one Umbrella Scheme with 14 Sub-Funds. These UCITS are registered in Cyprus and have been licensed by the Cyprus Securities and Exchange Commission. According to the CSE, there is interest for registration of UCITS from Greece, the UK, Russia and the US.

The CSE legal framework presently allows for the listing for trading of UCITS shares (for UCITS that have the legal form of Variable Capital Investment Company) and UCITS units (for UCITS in the form of mutual funds that operate as Exchange Traded Funds (ETFs)). Furthermore, the CSE regulations allow for the listing without trading of units of mutual funds that are not ETFs.

The legal framework that will allow the registration / listing on the CSE of Alternative Investment Funds has been completed and will be sent shortly to the House of Representatives for approval. Upon completion of the institutional framework, the CSE authorities together with the Cyprus Investment Promotion Agency and other interested parties, plan to engage in an awareness and promotion campaign in order to promote the further registration and listing of various categories of collective investment schemes in Cyprus.

Additional products and services in Cyprus's capital market

- The CSE is in process of introducing derivative products.

- The CSE aims to develop further the secondary market in bonds and has submitted recommendations to relevant Authorities aimed at attracting investment interest in this area from Cyprus as well as from international investors.

- The Memorandum of Understanding signed between Cyprus and its lenders, provides for an extensive program of privatizations and Parliament has approved the relevant legislation. The CSE authorities are promoting the listing of privatized entities on the CSE.

- Cyprus has been the second member state to transpose into local law the Alternative Investment Fund Managers' Directive. The Law regulates the setting up and operation of Alternative Investments Fund Managers (AIFM) who manage all types of investments which are not UCITS and form part of the Alternative Investment Funds (AIF) category. Regarding AIFM activities, the Law allows the following activities:
 - Cyprus AIFM may manage Cyprus AIFs or AIFs of another member state or third country.
 - EU or third country AIFM may manage Cyprus AIFs.
 - Cyprus AIFM may market units or shares of AIFs they manage in other member states or third countries.
 - EU or third country AIFM may market units or shares of AIFs they manage in the Republic.

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The Banking Sector



THE BANKING SECTOR

General Overview

The Cypriot banking sector comprises of domestic banks, international banks with Cyprus based subsidiaries or branches and co-operative credit institutions. Domestic and international banks are supervised by the Central Bank of Cyprus (CBC). The supervision of the co-operative credit institutions (CCIs) and the Cooperative Central Bank (CCB) has, in September 2013, been integrated into the CBC to ensure that common rules, regulations and supervision are applied throughout all credit institutions. As from November 2014, four Cyprus credit institutions along with around 130 other European significant credit institutions will come under the direct supervision of the ECB, as part of the Single Supervisory Mechanism provisions.

BANKING SECTOR – OVERVIEW 31/3/14	Number of Banks
Domestic Banks	5
Subsidiaries of foreign banks from EU member states	5
Subsidiaries of foreign banks from non EU member states	3
Branches of foreign banks from EU member states	9
Branches of foreign banks from non EU member states	16

Source: Central Bank of Cyprus

Banking Developments During 2013

The Cypriot authorities requested international financial assistance in June 2012. In April 2013, following months of negotiations, the Cypriot authorities reached a staff level agreement on an economic program supported by the IMF jointly with the European Commission and the European Central Bank ("Troika"). As a precursor to this agreement, a decision was taken by the Eurogroup that resulted in a substantial reduction in the size of the banking system in relation to the economy as well as in the resolution of the second largest bank in Cyprus and the restructuring and recapitalization of the largest bank in Cyprus. The domestic banking sector, including the cooperative credit institutions, represented until 2012, 550% of GDP. As a result of the Eurogroup decision and the measures taken, the Cypriot banking sector was downsized immediately and significantly to 350% of GDP.

A comprehensive framework was legislated for the recovery and resolution of credit institutions, naming the Central Bank of Cyprus as the single resolution authority. On the basis of this framework, the resolution of Cyprus Popular Bank and Bank of Cyprus took place. Bank of Cyprus became fully recapitalized through the full contribution of the shareholders and bondholders of the bank and through the conversion of 47.5% of the uninsured deposits into equity (bail-in). The insured deposits, part of the assets and the interbank liabilities and the Emergency Liquidity Assistance (ELA) of the Cyprus Popular Bank were transferred to the Bank of Cyprus. Uninsured deposits and remaining assets were left in the Cyprus Popular Bank which is under liquidation. As the value of the transferred assets exceeded the value of the liabilities, the unit under liquidation received shares in the Bank of Cyprus amounting to 18% of its share capital. Insured depositors in both banks (representing over 95% of the total number of account-holders in the two affected banks) have been fully protected. Additionally, the Greek subsidiaries of Cyprus banks were sold off.

Stabilizing the financial sector remains the key priority of Cyprus authorities and the Troika. According to the latest review mission in February 2014, important strides have been made towards stabilizing the financial sector.

BANKING SECTOR – STATISTICS (31/12/13)

	Banks	Coops
Deposits (€ million)	33,690	13,314
Loans (€ million)	48,473	14,744
Branches	330	350
Personnel	8,457	2,648
Branches per 100,000 inhabitants	41	44

Source: Central Bank of Cyprus, Co-operative Central Bank

Recapitalisation of the Banking Sector

All banks, including cooperative credit institutions, have to maintain a core tier 1 capital ratio of 9% as from the end of 2013 as a condition of the reform programme. According to the latest announcements of the CBC, the core tier 1 capital ratio of domestic and foreign-controlled banks was 12.0% as at the end of December 2013, whereas the core tier 1 capital ratio of CCIs was 10.5%. The bail-in of both banks has been completed and Bank of Cyprus was fully recapitalized and exited the resolution process. The strategy for the cooperative credit sector has been agreed and on the basis of a restructuring plan aimed at restoring the sector to viability and profitability, all credit cooperative institutions have agreed to voluntary mergers. All the mergers have been completed by March 2014, resulting in 18 cooperative institutions (from 93 last year). The state acquired 99% of the cooperatives and their recapitalization is under way, using €1.5 billion of state aid with financial assistance funds reserved as part of the Troika programme. More recently, Hellenic Bank was also successfully recapitalized from private sources, including with foreign participation, and without use of state support.

Financial Sector Supervision and Regulation

Regulation and supervision have been strengthened to ensure a more credible, robust and resilient financial sector. The main steps undertaken in this area are:

- Legislation was passed by Parliament in November 2013 amending the operations and scope of the credit register.
- The Central Bank of Cyprus (CBC) has completed a review of banks' practices regarding loan origination processes, asset impairment and provisioning, and the treatment of collateral in provisioning, against best practices. Following this, it has issued guidelines on loan origination, requiring banks to base their loan decisions primarily on the borrowers' cash flow as a means of loan repayment as opposed to earlier collateral-based lending practices.

CYPRUS BANKING STRUCTURE NUMBER OF BRANCHES, EMPLOYEES & ATM

	Banks	Branches	Employees	ATM
2011	12	429	9,372	449
2012	12	384	9,273	423
2013	11	288	7,529	360

Source: ACB's regular member banks

- Within 2014, banks have to fully implement new guidelines on asset impairment and provisioning and on the treatment of collateral in provisioning, which bring our current accounting practices up to the most conservative international level.
- In order to ensure that the CBC can effectively carry out its supervisory tasks, a clarification of the allocation of tasks and responsibilities in the governance structure of CBC will take place.

Restrictive Measures

Immediately after the decisions of the two Eurogroup Summits in March 2013, Cyprus, in collaboration with the European Commission and the European Central Bank, implemented restrictions on bank transactions. The imposition of restrictive measures on transactions was a necessity, given that the banking system underwent a deposit bail-in and a severe blow to depositor confidence.

The restrictive measures have been gradually relaxed since they were initially imposed and non-resident clients of foreign banks as well as fresh inflows of capital have been fully exempted from controls. Efforts have been and continue to be made in order to limit their duration and scope to the minimum extent necessary. A further gradual relaxation of the restrictive measures until they are completely lifted remains a top priority for the authorities. Cypriot authorities have agreed with the Troika a roadmap which provides an orderly and predictable framework to ease restrictions as key milestones are reached. It is state rather than time contingent to allow for flexibility in the face of changing circumstances.

Following initial signs of improving confidence in the banking sector, the first stage of the roadmap was completed during August-October 2013 and the third stage of the roadmap is expected to be completed by summer 2014

Financial Transparency

Cyprus has been handed a clean bill of health according to independent evaluations, which discredited accusations of a weak anti-money laundering (AML) system. The two parallel audits, conducted during April 2013, by Deloitte Financial Advisory (Italy) and Moneyval of the Council of Europe, which were set as a precondition for the international bailout, evidence the island's commitment to strict implementation of effective anti-money laundering measures. The outcome of the assessments indicates a solid level of compliance across the sector. The findings made no reference to systemic deficiencies, according to the Central Bank of Cyprus. On the contrary, the reports indicated that the standard building blocks are in place, the AML preventive measures and procedures in banks are sound, and in general, the banks have a high level of compliance with the statutory and regulatory requirements, which in some areas are more demanding than the EU and international requirements.

In September 2013, the CBC's AML Directive enforced further AML controls on banks and the CBC will adopt a plan for 2014 aimed at strengthening the effectiveness and adequacy of resources of its AML supervisory function. The AML regime in Cyprus will continue to apply, and to follow the FATF and EU recommendations on AML; it will be strengthened where and when necessary.

Liquidity and Loan Restructuring

CBC is monitoring closely the liquidity situation of the banking system and stands ready to take appropriate measures to maintain sufficient liquidity in the system, following the sharp deterioration of the loan/deposit ratio as a result of the bail-in. The government stands ready to consider the issuance of additional government funding guarantees up to € 2.9 billion - in line with state aid rules and in compliance with the provisions of the Public Debt Management Law - if there is a clear need to safeguard financial stability.

The corporate and household debt restructuring framework is presently being revised in order to facilitate loan workouts and a cleanup of banks' balance sheets. Following the completion of their recapitalizations, banks and coops are implementing their restructuring plans to address NPLs that are growing, as a result of the prolonged recession. These restructurings are done within the context of the recently-established arrears framework and code of conduct of the Central Bank of Cyprus, as well as the framework of mediation which is currently being developed. The completion of this process is expected to lead to the return of sustainable credit growth, so that credit institutions can effectively support the economic recovery.

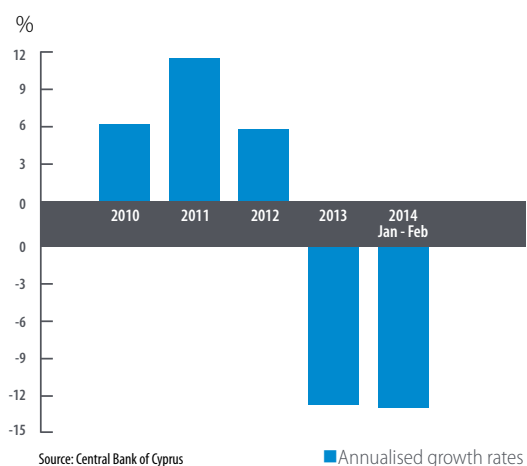
Financial Intermediation

In 2013, deposits held with all monetary financial institutions were reduced by 33.0% (2012: 1.2% increase), as a result of the bail in of deposits as well as the loss of confidence following the decision of the Eurogroup. The relevant reduction rate in deposits adjusted to exclude the effect of the bail-in on deposits amounts to 22.3% for 2013. There are a number of factors that constrain the improvement of the deposit base of the Cyprus banking system such as the ongoing recession, the existence of capital controls, the reduced available income, the high percentage of unemployment, the lowering of deposit rates (compared to previous levels), as well as the fact that households and businesses are utilizing their deposits to cover current obligations.

During 2013, total lending to Cyprus residents, other EU residents and non-EU residents declined by 12.8%, compared to an increase of 5.8% in 2012. Latest data from the Central Bank of Cyprus show that annualized lending has continued to decline at the rate of 13.1% during the first two months of 2014. The reduction in lending is due to the decreased demand from households and businesses arising from the negative prevailing macroeconomic conditions, whereas financial institutions are wary of extending new loans due to the negative economic prospects and stricter regulatory environment and mainly offer restructuring of existing facilities.

According to the latest Bank Lending Survey carried out by the Central Bank of Cyprus, the expectations of the participating banks for 2014Q1 point to the continuation of tightening of credit standards for loans to households, both for house purchase and for consumer credit and other lending, as well as in the case of loans and credit lines to enterprises. Concurrently, demand for loans by enterprises and households in 2014Q1 is expected to further decrease. In comparison, the supply and demand conditions for loans are easing in the rest of the euro area.

Loans by Monetary Financial Institutions



Deposits held with Monetary Financial Institutions



Bank Credit by Sector

As the table below shows, decreases in lending were recorded for all loan categories during 2013.

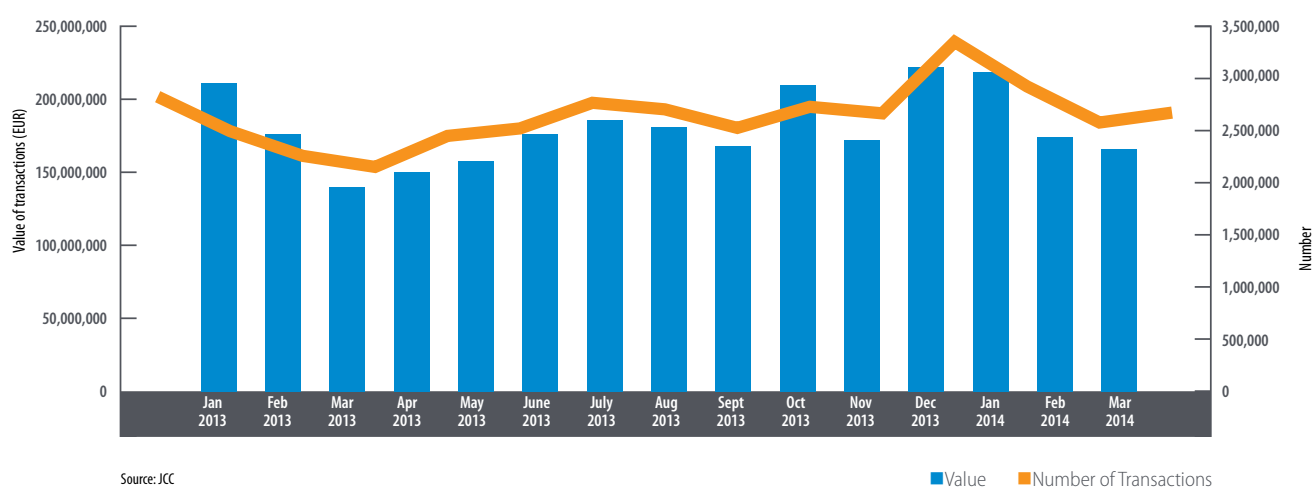
	End of period balances €million		Outstanding amount as a % of total		Annual % change
	2012	2013	2012	2013	
General Government	1,603	1,315	2.2%	2.1%	-18.0%
Other financial intermediaries	9,603	6,876	13.3%	10.9%	-28.4%
Insurance corporations & pension funds	1,121	1,079	1.5%	1.7%	-3.7%
Non-financial corporations	33,197	28,765	45.8%	45.5%	-13.3%
Consumer credit	3,459	3,106	4.8%	4.9%	-10.2%
Housing loans	14,906	13,958	20.6%	22.1%	-6.4%
Other household loans	8,579	8,117	11.8%	12.8%	-5.4%
Totals	72,467	63,217			-12.8%

Source: Central Bank of Cyprus

Credit and Debit Card Transactions

During 2013, the total value of card purchases in Cyprus by holders of credit and debit cards issued in Cyprus decreased by 4.8% to a total of €2.16 billion (2012: €2.27 billion). Within the year, the total number of transactions decreased by 1%, while the average value of transactions was €69 per transaction (2012: €72). However, during the first quarter of 2014 the total value of transactions increased by 6% compared to the first quarter of 2013.

Card transactions



Source: JCC

■ Value ■ Number of Transactions

4

Year Under
Review



Banking Supervision Committee and Risk Management

In April 2013 Cyprus officially entered into an agreement of economic support with the European Commission, the International Monetary Fund and the European Central Bank. The Memorandum of Understanding signed with the troika includes certain commitments relating to the short and medium-term restructuring of the financial sector. The key objectives of the restructuring changes are to restore the soundness of the banking sector and to rebuild depositors' and market confidence to the banking system. The achievement of these objectives is based on the restructuring and downsizing of the banking sector and the strengthening of supervision by the Central Bank of Cyprus.

In the last six months of 2013 the Central Bank of Cyprus issued five new Directives and a number of Circular Letters that govern the operation of credit institutions. The Directives are the following:

1. **Definitions of non-performing and restructured credit facilities**
2. **Arrears Management**
3. **Operation of a System or a Mechanism for the exchange, collection and provision of data between the Authorised Credit Institutions and the Credit Institutions that operate in the Republic**
4. **Loan origination processes and processes of reviewing existing loans**
5. **Loan impairment and provisioning procedures**

It is important to mention that in addition to the above Directives, the Central Bank of Cyprus is expected to issue other new Directives relating to the prudential supervision and liquidity management of credit institutions.

The Association's Banking Supervision Committee carried out a large number of meetings in order to study thoroughly the Directives and form common positions/views for the consultation with the Central Bank of Cyprus. Despite the urgency and the short consultation periods provided by the Central Bank of Cyprus, the Banking Supervision Committee responded to the challenges and formed specific positions and views on all Directives and Circular Letters issued. It is worth mentioning that for the review, the adoption and the implementation of the new Directives, several departments of credit institutions, apart from Risk Management, contributed significant time and resources. Their contribution included the formation of new procedures and processes and the upgrade of IT Systems. The Banking Supervision Committee studied extensively two important matters relating to the Directive on Arrears Management. The first relates to the approach that needs to be followed by financial institutions in cases of borrowers with debts (secured or unsecured) to multiple creditors. The Central Bank of Cyprus urges the financial institutions to cooperate and act transparently during the restructuring loan process. The Banking Supervision Committee, after a thorough and extensive study, has agreed and determined a specific procedure to be followed by all member

banks when handling distressed borrowers with debts to multiple financial institutions. The procedures comprise three stages and include how such borrowers are tracked down, the terms and conditions for activating the process and the communication between the parties involved. The agreed procedures have been approved by the Association's Board of Directors and have been forwarded to the Central Bank of Cyprus for information purposes. The second issue relates to the determination of a reasonable standard of living and reasonable living expenses. These need to be taken into consideration during the evaluation of the distressed borrower's ability to repay his loans. The Banking Supervision Committee, in cooperation with an external consultant, completed a research and determined specific thresholds for acceptable living expenditure for various household categories. These acceptable living expenditure thresholds have been adopted by all member banks and have been forwarded to the Central Bank of Cyprus for information.

The adoption and implementation of all the new Central Bank of Cyprus Directives is causing credit institutions to make dramatic modifications in their operation, business activities and risk management, particularly credit risk. This has significant consequences on all credit institutions. To be precise, two characteristic examples are worth mentioning. Firstly, the «Definitions of non-performing and restructured credit facilities» Directive, which caused a sharp increase of non-performing loans and provisions of credit institutions. These in turn impacted negatively on the profitability and capital adequacy of credit institutions. Secondly, the «Loan origination processes and processes of reviewing existing loans» Directive has transformed drastically the credit institutions' terms and conditions for granting new loans and determining the solvency of borrowers requesting new loans.

Michalis Kronides
First Senior Advisor

AML Independent Audits

Cyprus has been handed a clean bill of health in the recent independent evaluations, discrediting mounting accusations by its European partners of a weak anti-money laundering (AML) system. The two parallel audits that have been conducted during April 2013, by Deloitte Financial Advisory (Deloitte) and Moneyval of the Council of Europe (Moneyval), which were set as a precondition for an international bailout, evidence the island's commitment to strict implementation of effective anti-money laundering measures.

Moneyval and Deloitte have prepared their reports (Reports) following an in-depth assessment/audit of the effective implementation of the Customer Due Diligence requirements in Cyprus banks. It should be noted that the nature and depth of these assessments are unique as no other European Member State has been subjected to such rigorous and exhaustive AML checks to date. The outcome of the assessments indicates a solid level of compliance across the sector.

Customer Due Diligence (CDD)

On the assessment of CDD, Deloitte notes that the results of the audit "appear to indicate a generally solid level of compliance across the six banks (under audit)," signifying at the same time that only 4 out of the 27 areas of CDD require further attention.

Moneyval's assessment notes that in general, "the banks interviewed demonstrated high standards of knowledge and experience of AML/CFT issues, an intelligent awareness of the reputational risks they face and a broad commitment to implementing the CDD requirements set out in the law and in subsidiary regulations issued by the Central Bank of Cyprus. Implementation of CDD measures, as described by the banks, appeared strong under most headings".

Suspicious transaction reporting

In relation to suspicious activity reporting, Deloitte in its report stated that there is "a very low level of suspicious activity that may be undetected". The data, therefore, provides an indication that any potentially suspicious transactions that may not be detected are not necessarily significant or systemic.

Cyprus as an international business center and complex international structures

Cyprus, being an international business centre, has been under scrutiny over the past years for its anti-money laundering regime.

To this respect Moneyval pointed out “a number of individual features of international banking business conducted in/through Cyprus, none of which are unique to Cyprus and many of which can be found in banking systems worldwide”.

Furthermore, Deloitte’s remark for international business states that “most customers are corporate entities and supporting documentation is obtained to confirm the identification of the customer, the directors and the owners”. Although some of these structures are complex and can involve legal entities in two or more jurisdictions, there was a consistency in the responses of the banks that they are required to, and do in practice, identify all relevant parties through all layers of these structures. The assessors did not come upon any examples to suggest lack of understanding or weak compliance on this aspect.

Deloitte also concluded that Cyprus had a stricter legal framework beyond normal EU standards. For example due to the increased importance of “transparency of beneficial ownership”, the numerical threshold for determining controlling ownership of a legal person in Cyprus has been set at the lower 10% plus one share (instead of the higher 20-25% threshold used in other member states), meaning that the beneficial owner shall at least include, in the case of corporate entities, the natural person or natural persons who ultimately own or control a legal entity through direct or indirect ownership or control of 10% plus one share.

The two Reports also specify some weakness areas needing further improvement. Cyprus authorities, in collaboration with the Troika partners, are committed to fully addressing these weaknesses.

Future for the AML regime

AML is a challenge for all the international community. There is no perfect system that can guarantee the complete elimination of money laundering risk, as shown in the evaluations of the AML framework of countries in the standard Moneyval and FATF reports.

The AML regime in Cyprus will continue to apply and follow the FATF and EU recommendations on AML and will be strengthened when necessary.

Elena Frixou
Senior Advisor

FATCA Implementation in Cyprus

The American legislation Foreign Account Tax Compliance Act ("FATCA") is aimed at combating cross-border tax evasion carried out by US citizens. As such, it is designed to generate information from financial institutions across the world. The implementation of FATCA is scheduled to begin in 2014 in stages.

Until April 2014, the United States have signed intergovernmental agreements (IGAs) with 26 jurisdictions and are in advanced discussions with many others. The signing of IGAs is a way to facilitate FATCA compliance by foreign financial institutions, while avoiding possible legal conflicts. In order to implement FATCA in Cyprus, the Cypriot Authorities are expected to sign by June 2014 an IGA Model 1 with the US. Based on this agreement, there will be a mutual exchange of information as from September 2015, as long as both countries are satisfied until then that all necessary safeguards and infrastructure are in place to exchange data. Cyprus financial institutions (banks, cooperative credit institutions, investment companies, insurance companies, investment funds) will submit on an automated basis to the Cyprus Internal Revenue Service, information on their clients who are US persons. The Cyprus IRS will send the information to the relevant US authorities, who will reciprocate with data on Cyprus clients of US financial institutions.

As from April 2014, Cyprus has been included in the IRS catalogue of jurisdictions which are in advanced stages of negotiations and which will be treated as an IGA in effect. This allows banks and other financial institutions to register on the IRS's FATCA registration website and obtain their Global Intermediary Identification Number (GIIN) which will be used in correspondence with counterparties to prove that the financial institution in question is complying with FATCA.

During the past twelve months, the members of the Association studied the draft intergovernmental agreement and submitted comments to the Cyprus Internal Revenue Service, while at the same time started the preparations and implementation of FATCA provisions. The relevant committee of the Association invited representatives of the Cyprus IRS and the Ministry of Finance who presented the FATCA Schema through which the data will be submitted and exchanged views with the bank representatives on matters of technical infrastructure. Following the Cyprus IRS suggestions, the members agreed to an annual deadline for submission of data to the Cyprus IRS of 30th June, while financial institutions will be able to submit data earlier.

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The relevant committee prepared and submitted to the Cyprus IRS a draft self-certification form for legal persons. The form will be used in the opening of new accounts and also in cases where the financial institution wants to receive information from an existing client to cure US indicia. The form will relate to the determination of the general tax status of the client, not solely for FATCA purposes. The Cyprus authorities have undertaken to study the draft together with their US counterparties and issue a final self-certification form to be used on an optional basis by all Cyprus financial institutions.

The Association through its relevant committees also worked on the preparation of a common form of Frequently Asked Questions to deal with client queries on FATCA and on the preparation of a table to identify and map Cyprus entities according to FATCA terms. Additionally, the Association prepared suggestions on guidelines for FATCA implementation which will be issued by the Cyprus IRS as a circular.

Two presentations were organized for FATCA implementation purposes. The first one was a customized workshop delivered by PwC to address bank members' questions that arose during committee meetings which examined practical aspects of FATCA implementation. The second presentation related to FATCA system solutions that support FATCA client identification and reporting.

The preparation for FATCA implementation is expected to be the first part of a broader transformation on cross border tax information reporting that European banks will be called to implement. The ratification of intergovernmental agreements with the USA for FATCA purposes has boosted the efforts of other states for an automatic exchange of information aimed at combating cross-border tax evasion. The European Union now aims to implement as from 2017 an automatic exchange of information between tax authorities, based on the new standard developed by the OECD (the Common Reporting Standard). While its details have not been finalized, it is expected to operate as a "European FATCA".

Christina Antoniou Pierides

Senior Advisor

Forced Sales of Mortgaged Land

If you are a mortgagee in Cyprus and wish to enforce your security, you have to be prepared to wait ten years on an average basis, and in some cases up to fifteen years. Under the MOU of Cyprus with Troika this shall change soon. To this effect, the legal framework in relation to foreclosures and the forced sales of mortgaged property will be amended by end of June 2014 in consultation with the EC and the IMF and informing the ECB and the ESM, to allow for private auctions to be conducted by mortgage creditors within reasonable time, while limiting the role of the Land Register in the auction process.

The current regime

The long delays are largely the result of the procedure of the Land Registry, which is the only body authorised by law to carry out forced sales of mortgaged land in Cyprus. Under the relevant law (Settlement and Mortgaging of Immovable Property Law of 1965), the Land Registry inspects the immovable property, sets the reserve price, resorts to court for directions, sends notification letters to the parties affected (all the mortgagees and the mortgagor), publishes announcements in the daily press for the date of the auction, performs the auction, pays the taxes and distributes the money obtained in the auction to those entitled to it.

The procedure is delayed further when, in an attempt to postpone the sale of their property, mortgagors habitually obtain court orders for the cancellation of the auction questioning the reserve price set by the Land Registry. By the time this court procedure concludes, more months or years go by.

The New Bill

The Bill prepared by the Land Registry, as part of the MOU, introduces a semi-private procedure. The auctions shall now be performed by the mortgagees (creditors), while the Land Registry keeps a limited role. The main features of the Bill are summarised below.

1. The existing route through the Land Registry remains an option, running parallel with the new procedure. Not all mortgagees are credit institutions or legal entities, so, natural persons may find it easier to go through the Land Registry, in the absence of auction houses until now.
2. The new procedure shall apply for old cases as well, i.e. for mortgages set before the new provisions shall enter into force.
3. The procedure commences if the debtor defaults for at least one month.
4. Under the procedure, the mortgagee has an obligation to send a written notification to the mortgagor with its intention to proceed with a forced sale, the outstanding debt with interest and all the expenses for the sale.

5. The notification must also be sent to the Land Registry and any other interested parties (e.g. other creditors having security or charge over the property).
6. The Bill makes provision for alternative ways of informing the mortgagee via publication in at least two large newspapers, should it be impossible for the bank to deliver the notice.
7. The notification must also provide the mortgagee with at least a month's grace period for the mortgagor to repay the loan.
8. The option of obtaining also a court order for the sale of the property is provided, which is particularly useful in cases concerning substantial amounts, so as to avoid objections at a later point as regards the amount of the debt and the reserve price.
9. The mortgagee must obtain detailed estimates from two independent valuers in order to set the market price of the property, on which the reserve price is calculated.
10. In the event that the sale is unsuccessful, the mortgagee has the right to make three more consecutive attempts in separate auctions reducing the reserve price by 10% each time.
11. The Land Registry is responsible for the allocation of the proceeds amongst the various mortgagees and any residue goes to the owner.
12. The law imposes civil liability on the mortgagee against any person who suffers damages as a result of his negligence.

Final thoughts

Although the Bill outlines a fairly logical and well-balanced procedure (some scope for improvement still exists), the real challenge for the Government is to adopt ex ante mechanisms to diminish any shocks in the already affected real estate market, the credit market (i.e. the value of security may be affected should prices of land drop dramatically) and social welfare (on people likely to be evicted from their homes as a result of forced sales, which is going to be an entirely new experience for Cyprus). This need becomes evident taking into account that between the years 2000-2008 not more than 200 sales were successfully conducted in each year with the number subsequently dropping further, while there are currently over 3,000 pending cases before the Land Registry.

Dr. Demetra Valianti Plati
Senior Officer

SEPA – A New Era for Electronic Payments

The creation of the Single Euro Payments Area (SEPA) is the second most ambitious initiative towards the unification of the European payments market, after the introduction of the Euro currency.

With the full adoption of SEPA, consumers, businesses and other economic stakeholders, will be able to send and receive domestic and cross-border payments in Euro, with the same terms, rights and obligations, irrespective of the country they are based. The geographic region of SEPA covers the 28 member states of the European Union, as well as Iceland, Switzerland, Lichtenstein, Norway, Monaco and San Marino.

By adopting the SEPA payment products (i.e. Credit Transfers, Direct Debits and Payment Cards), users will be able to effect electronic payments within the SEPA-zone countries, with the same convenience, time, and cost, as domestic payments.

Although the adoption of SEPA initially started as a voluntary project by the European Payments Council, later on, through Regulation 260/2012 of the European Council (the Regulation) which was published in March 2012, it was transformed into European Legislation. Among others, the Regulation requires the adoption of a final SEPA end-date by all SEPA-zone countries, after which, all Credit Transfers and Direct Debits, must be exclusively effected using the technical specifications of SEPA.

Although the initial SEPA adherence end-date was the 1st of February 2014, through an Amendment of the Regulation (which was approved by the European Council on the 18th of February 2014), the said date was postponed to the 1st of August 2014.

According to the Amendment, all SEPA-zone countries will have the opportunity to extend the use of their current domestic payment systems until the 1st of August 2014. The reason for the Amendment decision was the observed delay by all stakeholders involved, throughout the SEPA region. In particular, most Businesses, Utilities, Organizations, as well as the Public and the Banking Sector, delayed in managing to apply in time the SEPA products and especially SEPA Direct Debits. The European Commission nevertheless clarified that the initial adherence date still applies for any Organizations and Utility companies that are ready, and therefore demands from Banks to keep both systems in use (i.e. both current domestic systems as well as the SEPA systems), until SEPA is fully applied in August 2014.

In line with the above developments, the Association and its member Banks are intensifying their efforts towards a timely SEPA adherence within the new deadlines, after considering of the business, technical and legal parameters of the project.

SEPA aims at:

- Strengthening the Euro, since all SEPA payments must be exclusively effected in Euro currency. It must be clarified that the Bank accounts used for SEPA payments may be kept at any SEPA-zone country and at any currency (irrespective of the fact that payment itself must be effected in Euro).
- Cheaper payments, since a Bank's charges for a cross-border payment must, according to the Regulation, be the same with a domestic payment.
- Faster payments. According to the SEPA Rulebooks, a Credit Transfer must be credited at the Bank of the Beneficiary (and consequently at the Beneficiary's account) by the next working day, provided that the payment order was placed within the cut-off times set by the Paying Bank.
- Broadening the use of electronic payments throughout the whole SEPA region. For example, if someone owns a second house in Athens and resides in Cyprus, he will be able to pay his monthly (Greek) electricity and telephone bills through the Bank account he keeps in Cyprus, provided that the payments are not subjected to any capital movement restrictions.
- Saving time. Through the technological innovation offered by the additional optional services of SEPA, customers will be able to effect payments from the comfort of their own home or mobile phone, without having to go to the Banks' branches.

The timely and effective adherence of SEPA, will lead to faster, safer and cheaper payments for all European citizens and is expected to save up to €123 billion throughout the European Community within the next six years.

Marios Nicolaou

Marios Nicolaou

Senior Advisor

Cyprus Bankers Employers' Association (CBEA)

European social affairs and the role of The Cyprus Bankers Employers' Association (CyBEA)

Initial expectations and claims that the deepening of financial crisis would weaken European industrial relations or that it would diminish the importance of sectoral collective bargaining have proven to be mistaken, to say the least. The study of the European Foundation for the Improvement of Living and Working Conditions in 2011 "Representativeness of the European social partner organisations: Banking" presents a very different picture.

According to this report, there are 63 employer organizations in 27 EU countries, competent to represent their members in European social affairs and industrial relations issues. Even though, in 18 of these countries, several of the aforementioned employer/ business organisations are not a party to collective bargaining, they nevertheless engage and represent their member organizations in social affairs and industrial relations issues. On the other hand, at least 17 of the 27 countries have one or more employer organizations engaged in sector related collective bargaining. It is worthwhile mentioning that out of the 9 member-states where national organizations do not engage in collective bargaining, 7 are new member-states from the 2004 and 2007 EU enlargement (6 of which are Eastern European states) and only 2 (UK and Greece) belong to the initial EU-15 members. It is also important to note that even though organizations in these 9 countries (including UK and Greece) do not engage in sectoral collective bargaining, they do offer consultation to their members regarding social affairs and industrial relations issues. The coverage of collective bargaining in the 27 countries examined in the study ranges from 25% to 100% of the total number of employees in each country. In 15 of these countries, the coverage of employees through collective bargaining is more than 90% of the total number of employees

In Cyprus, the competent national organization is the Cyprus Bankers Employers' Association (CyBEA), and it represents the banking sector both domestically and in European social affairs and industrial relations. The Association has been a member of the Banking Committee for European Social Affairs (EBF-BCESA) of the European Banking Federation (EBF) since 2003. The EBF-BCESA is the competent employers' organization at the European level, in charge of industrial relations and social affairs in the banking sector. The members of the EBF-BCESA are the national organizations of each country, competent in social affairs and industrial relations. Currently, the EBF-BCESA represents 22 countries. The EBF-BCESA is the voice of European banks regarding social affairs and it coordinates with the other employers' organizations of the sector, the Co-operative and Savings banks, and all three together represent the European banking sector in the European social dialogue with UNI Finance and other European Union bodies and forums. It also engages in a range of issues in social affairs such as Life Long Learning, Corporate Social Responsibility, the working time and several EU proposals in the area of social affairs. The Director General of the CyBEA, Mr. Kammas, has been unanimously elected to the position of the vice-chairman of EBF-BCESA in November 2013 for a period of 3 years, in recognition of the contribution of the CyBEA since becoming member of the committee in 2004, an appointment that is a vote of confidence for the banking sector of Cyprus, as well as an honour for Cyprus in general.

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Further to its European work, the CyBEA acts as external labor consultant to members and offers counseling and guidance on a daily basis on any labor issue, labor legislation or labor dispute with the Union. It also promotes cooperation among its members in the formulation and implementation of policies and procedures on labor issues and on issues dealing with physical security, safety and health. Furthermore, it represents and advises its member-banks in social affairs and industrial relations issues, negotiates and signs on behalf of its members collective agreements, and represents its members to government and state bodies such as the Ministry of Labour and Social Insurance, the House of Representatives, the Police and others.

During the last few years the work of the CyBEA generated significant benefits to its members such as the decrease in the number of bank robberies, and the introduction of a defined contribution plan rather than a defined benefit plan trimming down pension costs from around 20%-22% in 2011, to 14% of gross salaries for the period 2012-13, and finally to 11% for the period of 2014-16. The Association also helped to achieve increased flexibility for its members through the outsourcing of a number of activities, and the reduction of health care costs through negotiating with the union a common health care scheme administered by the Union achieving significant savings in administration expenses and the funding of possible shortages.

Recently, and after a rigorous effort which started in the summer of 2013, the CyBEA signed a new collective agreement with the union for the period of 2014-16. The new agreement stipulates a reduction of salaries according to specified scales, a reduction of employers' contribution to the provident fund, and a reduction of 50% on allowances and other benefits offered to employees. In addition, the agreement foresees negotiations with the union during the next four months with the aim of reaching an agreement to revise the hours of operation of banks and to agree on a new method to adjust interest rates on employees' staff loans. Considering the current economic circumstances, the successful conclusion of the collective agreement stipulating reductions on salaries and benefits for the employees in the banking sector, especially during difficult times, illustrates the importance of communication and dialogue in labor-industrial issues.

Dr. Yiannos Rossides

Senior Advisor, Industrial Relations

Artemis Bank Information Systems Ltd

Since its inception, Artemis Bank Information Systems Ltd (Artemis) has played an important role, as the first Private Credit Bureau in Cyprus, towards the mitigation of credit risk, the promotion of transactions' reliability and the modernization and upgrading of the banking system. This role is now entrenched and further strengthened. What has contributed to this is the use of the Artemis operational infrastructure in meeting the specific term in the Memorandum of Understanding (MOU) signed between the Cyprus Government and the Troika, regarding the establishment of a Central Credit Register by the Central Bank of Cyprus.

The Central Credit Register database will list all borrowers and beneficial owners from both commercial banks and cooperative credit institutions, so as to enable these institutions to check new loan applications against the register. It is decided that Artemis will be covering all the banks while "Aiantas", the respective data exchange mechanism of Cooperative Societies, all the cooperative credit institutions.

The Project entails the electronic interconnection between the two data exchange mechanisms. In this way, the Central Credit Register will cover the Cyprus financial system in its entirety and will contribute substantially towards the potential and existing borrowers' creditworthiness check by the credit institutions. The Artemis existing data categories will be significantly enriched with additional Negative Data categories (Non performing credit facilities, Terminated accounts) but also Positive data (Performing credit facilities). The Troika requirement for the Central Credit Register's establishment proves beyond any doubt the importance of the role of a Credit Bureau in the proper functioning of the financial system of a country.

Based also on the MOU mandate, the Central Credit Register will be officially operational by 30 September 2014 with the participation of local banks, international banks and cooperative credit institutions. The participation of the credit institutions in the Central Credit Register is mandatory and stems from their requirement to comply to the Central Bank of Cyprus Directive for the "Operation of a System or a Mechanism for the Exchange, Collection and Provision of Data between the Authorized Credit Institutions and the Credit Institutions that operate in the Republic under Section 10A of the Law" issued in 4th December, 2013.

Due to the importance and the magnitude of the Central Credit Register Project, a special Project Management Committee has been formed. It consists of representatives of the Central Bank of Cyprus, Banks, Cooperative Societies, Artemis and Aiantas. The Committee meets regularly to decide on matters concerning the planning and implementation of the Project. In addition, Artemis has recently organized workshops in which banks had the opportunity to familiarize with the Project and its requirements. At the same time, Artemis offers the banks continuous support aiming at achieving the timely implementation of the Project by the banks.

Artemis, being fully aware of the importance of its mission and the responsibility undertaken in safeguarding the public interest, continues to give high importance to the respect and protection of individual rights and provides all possible assistance to interested parties for exercising their prerogatives as stipulated by the law governing the use of personal data. The company complies fully to the provisions of the Processing of Personal Data (Protection of Individuals) Laws and Implements fully the relevant decisions by the Commissioner for Personal Data Protection.

Simultaneously with the implementation of the Troika mandate of the Central Credit Register's establishment, Artemis continues to work on its long-term strategic plan which follows the standards of business models of developed Credit Bureaus abroad. The strategic plan involves the development of new products for the banks.

Artemis' vision is twofold:

- To assist Banks in the evaluation of the repayment ability of prospective borrowers.
- To educate the public about the proper management of their credit facilities.

Without doubt, the ongoing upgrading of the role of Artemis is expected to have a positive impact on the further enhancement, modernization and evolution of the local banking system and consequently, to the smoother functioning of the Cyprus economy.

ACB's Training Activities

During 2013, the Association of Cyprus Banks organized a number of training seminars for bank employees. Four of the seminars addressed the continuous professional training requirements regarding the Certification of persons in the public register (CySEC certification). The seminars covered issues relating to legislation of the Cyprus Securities and Exchange Commission and the Association plans to organize them every year so that bank employees can retain their certifications.

Member banks were primarily concerned with training on issues of security and physical protection. Since the beginning of 2013, ACB jointly organizes these seminars with the Cyprus Bankers Employers' Association. Within 2013 four seminars have been organized on the subject of security against armed robberies, to cover the needs of participants from Nicosia, Larnaca, Limassol, Famagusta and Pafos, while more seminars are planned towards the end of 2014.

Within 2013 and 2014, the Association organized seminars for issues relating to anti-money laundering and the prevention of terrorism finance, whereby bank employees received training in identifying and handling specific situations through case studies. For purposes of implementing the American legislation on automatic tax information exchange, the Association organized a FATCA Implementation Workshop where tax advisors covered questions on issues raised by the relevant ACB committee. At a later stage, a presentation was delivered on systems of client identification and categorization for FATCA purposes. Also popular with our members was the seminar delivered by the Land Registry department, which covered the existing legal framework and Land Registry practices on foreclosures.

Publications

The Association of Cyprus Banks publishes the monthly Newsletter and the biannual Cyprus Banking Insight. The Newsletter is addressed only to member banks and aims to inform and update the reader about the Association's main activities, the Director General and the Senior Officers' meetings with various authorities concerning the discussion of matters relating to the banking sector, the European Banking Federation meetings that the Director General and the Senior Officers participate, and the meetings of the Association's different Committees.

The Cyprus Banking Insight is a specialized publication addressed to member banks as well as other individuals or organizations that are interested in current issues relating to the banking sector, both local and overseas. The Cyprus Banking Insight is sent to all member banks, the Governor and Senior Officers of the Central Bank of Cyprus, the Ministry of Finance and members of various Committees of the House of Representatives. It is also sent to the European Banking Federation and its members. Every issue of the Cyprus Banking Insight contains articles provided by the Association's Senior Officers, member banks and guest contributors from the broader financial sector.

5

The
ACB



Background

The Association of Cyprus Banks is a non-profit professional body representing the interests of the banking industry and is supported by subscriptions from its members.

Our Mission

To be the voice of the Cyprus banking sector domestically and abroad. We achieve this by being a reliable and effective interlocutor, whose positions are being taken seriously into account by all relevant decision-makers who impact banking, legal and regulatory developments.

Our mission is achieved by:

- Promoting the interests and cooperation of members with governmental bodies, the House of Representatives, various Ministries, the media and most importantly the Central Bank of Cyprus.
- Influencing the direction of the local regulatory and legislative framework concerning a broad range of issues relating to banking business and practices both in Cyprus and abroad.
- Collecting a regular flow of documentation and material from local and international organizations regarding economic and financial matters and keeping members informed of developments affecting banking policies and practices.
- Enhancing the relationship with other banking associations, the European Banking Federation, and other influential global organizations in the financial sector. Our goal is for the domestic banking community to adopt international banking practices and know-how.
- Generating a better understanding of the value and quality of banking services and the significant contribution of the banking sector in the economic, social and cultural scene of the country.
- Promoting educational and consultative seminars and training courses to the professional staff of banks and encouraging participation in conferences and seminars organized locally and abroad.

Organizational Framework

Board of Directors: The Association of Cyprus Banks is governed by the Board of Directors, whose members are appointed by member banks.

Chairman and Vice-Chairman: The Association's Chairman and a Vice-Chairman are appointed yearly on a rotation basis by the Board of Directors. These positions are filled by Board Members appointed by the four largest member banks (according to the total number of employees).

Director General: The Director General is appointed by the Board of Directors and heads a team of professional and highly qualified staff, manages the running of the day-to-day activities of the Association, makes recommendations to the Board regarding the Association's policies and internal organization, reports on major issues of its operation and supervises all tasks which have been delegated to him according to the Articles of Association of the ACB.

Working Committees: In order to meet the needs of members and operate efficiently and proactively, the Association has established the following Permanent Interbank Advisory Committees.

1. Committee for Legal Affairs
2. Organization & Methods Committee
3. Economic & Statistical Affairs Committee
4. Financial Markets Committee
5. ICC Committee
6. Fraud & Money Laundering Committee
7. Treasury & Risk Management Committee
8. Banking Supervision Committee
9. Consumer Affairs Committee
10. Communications Committee
11. Compliance Committee
12. Accounts Committee
13. Ethics Committee
14. Internal Audit Committee
15. Payments Committee / SEPA

The Permanent Interbank Advisory Committees and Ad hoc Committees analyze information on a broad range of issues concerning banking and financial activities and act as advisory bodies to the Board of Directors.

These Committees examine various issues and make recommendations to the Board and subsequently implement the Association's policies according to the Board's decisions. The ACB Committees are composed of representatives of member banks at the highest possible management level in the hierarchy of banks and are delegated with sufficient authority to take decisions.

The Member Banks

Membership of the Association is open to any institution which is legally authorized to operate as a registered bank, whether local or foreign, in Cyprus, and which can provide banking services. Applications are also accepted by other legal entities such as associations or unions, which are non-profit organizations and whose own members are banking institutions. Participation to the ACB can be either in the form of Regular or Associate membership. Applications for new membership are subject to approval by the members of the Board of Directors of the Association and subsequently by the General Meeting.

The bank members of the Association offer a diverse range of products and services. Beyond the traditional deposit and lending services, banks have established their own subsidiaries providing short and medium term credit, hire purchase finance facilities, investment services (such as asset management, investment advice and brokerage), factoring and invoice discounting services, electronic and telephone banking, private banking as well as all types of insurance services.



Bank of Cyprus

BANK OF CYPRUS PUBLIC COMPANY LTD

Number of branches: 134
Number of ATM: 194
Number of employees: 4,049
Head Office: 51 Stasinou Street, Ayia Paraskevi, 2002 Strovolos
P.O.Box 21472, 1599 Nicosia
Tel: 22122100, Fax: 22378111, www.bankofcyprus.com



HELLENIC BANK

HELLENIC BANK PUBLIC COMPANY LTD

Number of branches: 64
Number of ATM: 71
Number of employees: 1,245
Head Office: Limassol Ave. & 200 Athalassas Ave. Corner, 2025 Strovolos
P.O. Box 24747, 1394 Nicosia
Tel.: 22500000, Fax: 22500050, www.hellenicbank.com



ALPHA BANK

ALPHA BANK CYPRUS LTD

Number of branches: 29
Number of ATM: 32
Number of employees: 711
Head Office: Alpha Bank Building, 3 Lemesou Avenue,
2112 Aglantzia, Nicosia, P.O.Box 21661, 1596 Nicosia
Tel: 22888888, Fax: 22773788, www.alphabank.com.cy



NATIONAL BANK
OF GREECE

NATIONAL BANK OF GREECE (CYPRUS) LTD

Number of branches: 13
Number of ATM: 15
Number of employees: 246
Head Office: 15 Makarios III Avenue, P.O.Box 21191, 1597 Nicosia
 Tel.: 22840000, Fax: 22840010, www.nbg.com.cy



EMPORIKI BANK – CYPRUS LTD

Number of branches: 4
Number of ATM: 4
Number of employees: 152
Head Office: 4 Ionos Street, 2406 Engomi, P.O. Box. 25151, 1307 Nicosia
 Tel.: 22696650, Fax: 22663923, www.emporikicyprus.com



USB BANK PLC

Number of branches: 14
Number of ATM: 18
Number of employees: 230
Head Office: 83 Digeni Akrita Avenue, 1070 Nicosia
 P.O.Box 28510, 2080 Nicosia
 Tel: 22883333, Fax: 22875899, www.usbbank.com.cy



CDBBANK

Number of branches: 2
Number of ATM: 2
Number of employees: 83
Head Office: 50 Arch. Makariou III Avenue, P.O.Box 21415, 1508 Nicosia
 Tel.22846500 Fax.22846600, www.cdb.com.cy



SOCIETE GENERALE BANK - CYPRUS

SOCIETE GENERALE BANK - CYPRUS LIMITED

Number of branches: 4
Number of ATM: 6
Number of employees: 133
Head Office: 20 Ayias Paraskevis Str., 2002 Strovolos,
 P.O. Box 25400, 1309 Nicosia
 Tel: 22399777, Fax: 22399700, www.sgbcy.com



PIRAEUS BANK (CYPRUS) LTD

Number of branches: 15
Number of ATM: 15
Number of employees: 303
Head Office: 1 Spyrou Kyprianou Aven., 1065 Nicosia
 P.O.Box 25700, 1393 Nicosia
 Tel: 80011800 (24 hours), Fax: 22760890,
 www.piraeusbank.com.cy



EUROBANK CYPRUS LTD

Number of branches: 7
Number of ATM: 0
Number of employees: 193
Head Office: 41 Arch. Makariou III Ave., 1065 Nicosia
Tel: 22208000, Fax: 22776722, www.eurobank.com.cy



RCB BANK LTD

Number of branches: 2
Number of ATM: 3
Number of employees: 184
Head Office: 2 Amathuntos Street, 3105 Limassol,
P.O.Box 56868, 3310 Limassol
Tel: 25837300, Fax: 25342192, www.rcbcy.com

Associate Members

- A. SC "TRASTA KOMERCBANKA" CYPRUS BRANCH
B. ASSOCIATION OF INTERNATIONAL BANKS

1. ARAB JORDAN INVESTMENT BANK SA
2. AS EXPOBANK
3. BANKMED SA
4. BANK OF BEIRUT SA
5. BANQUE BEMO SA
6. BANQUE SBA
7. BARCLAYS BANK PLC
8. BBAC SA
9. BLOM BANK SA
10. BYBLOS BANK SA
11. CENTRAL COOPERATIVE BANK PLC
12. CREDIT LIBANAIS SA
13. FBME BANK LTD
14. FIRST INVESTMENT BANK LTD
15. JORDAN AHLI BANK PLC
16. JORDAN KUWAIT BANK PLC
17. JSC TRASTA KOMERCBANKA CYPRUS BRANCH
18. IBL BANK SA
19. LEBANON & GULF BANK SA
20. OPEN JOINT-STOCK COMPANY AVTOVAZBANK
21. OJSC PROMSVYAZBANK
22. PRIVATBANK COMMERCIAL BANK
23. RUSSIAN COMMERCIAL BANK (CYPRUS) LTD
24. SAXO BANK A/S

ACB Events in 2013 & 2014

18/06/2013	Annual General Meeting of the Association
Ιούλιος 2013	Cyprus Banking Insight – Issue No 10
10/07/2013	Seminar: «FATCA Implementation Workshop»
16/07/2013	Presentation of Cyprus Economy Intelligence: «Project CEI – Central Databank»
18/09/2013	The Association participated in the 5th Cyprus Professional Services Conference – Presentation on anti-money laundering.
25/09/2013	Seminar: “Continuous professional training regarding the Certification of persons and the public register (CySEC) – Basic Exam”
03/10/2013	Seminar requested by the Company Registrar regarding the electronic submission and repayment of mortgages and liens and the conformation of authenticity of certificates and certified copies that are sent electronically to the public without a signature.
09/10/2013	Seminar: “Continuous professional training regarding the Certification of persons and the public register (CySEC) – Basic Exam”
23/10/2013	Seminar: “Continuous professional training regarding the Certification of persons and the public register (CySEC), Advanced Exam - Code of ethics for persons employed in CIFs, transparency and compliance issues”
30/10/2013	Seminar: “Continuous professional training regarding the Certification of persons and the public register (CySEC), Advanced Exam - ETFs and Mutual Funds”
05/12/2013	1st Cyprus Banking Forum – Jointly organized by the ACB and IMH
14/02/2014	Conference titled: «Cyprus - Lebanese Banking Industries: Forging Closer Links - The Way Forward» - Jointly organized by the ACB, the Association of International Banks and the Association of Banks in Lebanon.
08/04/2014	FATCA Workshop – Printec & Tonbeller.
25/4/2014	CBEA seminar: “Security against armed robbery.”
22 & 27/05/2014	Seminar: “Introduction to Anti-Money Laundering and Counter - Terrorism Financing”.

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Design by: Mike Adamou Designs



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