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Dr Michael Kammas

Since the last edition of the "The Cyprus Banking Insight" which was published last September 2008, what has started as a sub prime mortgage crisis in the United States has turned into a global financial and economic crisis.

The global coordinated actions of Central Banks in injecting liquidity into the system and reducing interest rates, with the simultaneous efforts taken by different governments through the provision of stimulus packages seem to have kept the economies running and avoided deeper recessions.

In Cyprus, the local banking system was not exposed to any "toxic investment products" and the banks managed to be profitable during 2008, maintaining high capital adequacy ratios and adequate liquidity levels. However, the financial crisis abroad, especially in Europe, has started to affect the open economy of the island, particularly sectors which are exposed to foreign demand like tourism and the construction sector with emphasis on holiday homes.

The efforts of the government are focused on assisting the sectors that are expected to be negatively affected by the global economic crisis. The various developments and infrastructural projects undertaken emphasize the need to keep the economy running with positive levels of economic growth thus maintaining and creating employment.

As in other parts of Europe and the world, 2009 and 2010 are expected to be difficult years, but with coordinated actions of government institutions and the private sector, the challenge is to come out of this crisis with the least possible cost.

In this current issue of the Cyprus Banking Insight it is our great pleasure to host an article by Mr. Guido Ravoet, Secretary General of the European Banking Federation. You will find that the article titled "The new supervisory architecture: a welcome challenge" is very interesting and well timed.

Dr. Michael Kammas
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BULLETIN

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Guido Ravoet
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The new supervisory architecture: a welcome challenge

The current crisis had made it clear to all that the international system of financial regulation and supervision had clearly exposed its limitations. Markets have notably failed because their institutional and supervisory arrangements were inadequate. It is now obvious that measures have to be taken in order to address these shortcomings.

The European Banking Federation (EBF) and its members have been contributing to the debate on regulatory reform since the beginning. They have made concrete proposals to the various instances and groups which have examined the way forward, and in particular to the Experts Group created by the European Commission and led by Jacques de Larosière, former President of the European Bank for Reconstruction and Development, Governor of the Banque de France and Managing Director of the International Monetary Fund.

The so-called de Larosière Group published its conclusions in late February, and they were followed by a series of proposals made by the European Commission, which the EBF broadly welcomed. In the wake of these recommendations, the EBF published a series of comments on the key areas of the proposed regulatory reform, in advance of the G20 meeting, to be held in London in early April.

The EBF generally feels that the de Larosière Report (the Report) provides a positive and forward looking input into the collective response to the recent collective failings of industry, regulatory authorities and policy makers. In fact, it was felt that most of the concerns of the EBF were dealt with in the Report with regard to a more robust and consistent regulatory framework on EU level as well as globally.

The EBF agrees with the Report that measures should be taken in the area of Corporate Governance to strengthen internal risk management processes.

European banks have repeatedly asked for an effective and efficient supervision, particularly across borders, which they feel the paper clearly provides the foundation for. Providing Europe with a consistent set of rules is crucial and greater transparency in financial markets is key. Generally speaking, the EBF welcomes the proposal made in the Report to strengthen the Basel Capital

Framework but thinks this should be done gradually. It also agrees that there is a need to reduce the strong pro-cyclical impact of the current regulatory framework.

In the field of macro prudential supervision, the EBF considers that the proposal to create a European Systemic Risk Council (ESRC) linked to the European System of Central Banks in order to replace the current Banking Supervision Committee, is a very positive proposal, fully in line with the recommendations the EBF itself addressed to the de Larosière Group. The role of the ESRC will be to decide on macro-prudential policy, risk warnings, compare observations on macro-economic and prudential developments and to give direction on these issues.

On the micro prudential supervision aspects, the EBF welcomes the objective of creating a European System of Financial Supervisors (ESFS), an integrated network of European financial supervisors, which confirms the reliance on college structures for cross-border banks, an approach the EBF has been supportive of for years. The EBF hopes that these new institutions can be created rapidly.

On Credit Rating Agencies, the EBF wishes to avoid conflicts of interests, inherent to risk rating, and it agrees with the idea put forward to critically review the regulatory references to ratings, so that they are of high quality and transparent. Generally speaking, the EBF feels that non-regulated institutions also have to be submitted to oversight.

Finally, the EBF agrees with the Report that measures should be taken in the area of Corporate Governance to strengthen internal risk management processes. Similarly, banking supervisors and central banks should review supervisory practices in the area of liquidity risk management.

Having put forward this extensive list of concrete proposals at European level, it is now essential that the European institutions encourage the Member States of the EU to demonstrate the political will to implement them swiftly and efficiently, in a coordinated manner. The EBF considers that the efforts must concentrate on more effective regulation, not just on "more" regulation, and feels that an opportunity is given here to reinforce existing legislation, while strengthening structures which are efficient but need extra power. The opportunity offered by this new regulatory structure should not be wasted.

"Standardisation as a Tool of Improvement In the Cyprus Banking and Financial Sector"

The Cyprus Organisation for Standardisation (CYS) is the national standards body of Cyprus. It is a full member of the international Standards Organisations ISO and IEC, as well as of the European Standards Organisations CEN, CENELEC and ETSI.

CYS operates as a company under private law but the sole shareholder is the government of the Republic of Cyprus. The members of its Board of Directors are representatives of the Employers Federation, the Chamber of Commerce & Industry, the Technical Chamber, the Consumers Association, academics as well as the Ministries of Finance and Commerce, Industry & Tourism.

CYS participates actively in the European and international standardisation systems and promotes the national interests of Cyprus in the drafting processes of standards as well in all other discussions and forums related to standardisation activities. Furthermore, among the strategic objectives of CYS is to promote the use of European standards in Cyprus through governmental services, its major stakeholders described above, individual businesses and consumers, so as to enhance national competitiveness, safeguard consumers health & safety, protect the environment, and establish high standard of quality of life in the society.

Standardisation work worldwide has no limits to sectors: agriculture, industry, services, commerce and building sectors, base their sustainable development on standards. This is achieved through transparency of procedures, accessibility to everybody, coherence of ideas and positioning on different issues, and innovation aiming interoperability.

Naturally, until the mid 20th century, the vast majority of standards were drafted in the non-services sector. In 1948 "ISO Technical Committee 68 Financial Services" was originally formed. Since then, more and more T.C.'s were formed under ISO and CEN as well as under ETSI, in order to serve needs oriented in the services sector: healthcare, telecommunications, transport and logistics, financial services, education, hospitality and tourism, cultural heritage.



Drafting standards in the world arena continues to grow in importance, as new technologies, financial products, cross-border processes evolve, and the needs for information security increase in our modern global economy. The financial services industry, which mainly uses these standards includes depository and non-depository finance companies, consumer and commercial leaders that raise funds in the capital markets, both sides of the securities markets, private equity firms, mutual fund complexes, central banks, electronic clearing networks, insurance companies etc.

The aim for producing standards in financial services, serves both the private and public sector. It generates social and economic dynamics and enhances technological changes and major product innovation. It affects the regulatory activities and facilitates greatly the payments industry. Growth in direct debit transfers has been observed and simultaneously, theft is tackled since security industry is greatly developing by the use of standards.

Drawbacks to standardisation in this sector have also been observed due to legal, regulatory and technological



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1. EBF Considerations in view of G20 can be found on www.ebf-fbe.eu



uncertainties. In some cases, personnel have been a factor affecting negatively the completion of such standardisation programmes.

Nevertheless, no matter what obstacles may arise, international and European T.C.'s work with clear objectives and strategies for protection of sensitive personal information against fraudulent financial transactions, migration to an electronic legally acceptable environment, and harmonisation of the process for development of a Business Process Catalogue for the financial service industry.

Due to the fact that global business transactions increase, the standards adoption rate also is expected to increase. As a result, it is inevitable that in the long term, there will be a reduction of operating expenses and avoidance of unwanted recovery cost from malicious business disruption. In this effort of standardisation in the financial services sector, ISO, CEN, and ETSI are in liaison with organisations such as IMF, ECBS, MASTECARD, VISA, SWIFT, AIM, ANEC, CEFAC, UIC, IUMI, TWIST, ERTICO etc.

The major international and European Technical Committees of Standardisation producing deliverables for the financial services sector and smart cards are:

ISO/TC 68 (retail financial services, trade services, cards and related retail financial services, securities, payment, core banking security management and general banking operations etc), CEN TC 224 (personal identification, electronic signature and cards, applications interface for smart cards used as secure signature (Creation Devices), ETSI (Electronic Signature Infrastructure), and ISO/IEC JTC 1, (Card and personal identifications, IT security techniques).

Europe plays a very significant role in the international market thus its member states need to be involved more and more in the shaping of new developments such as electronic commerce. The use of the EURO currency will further reinforce the need to harmonise some payment related transactions.

CYS, as the national standards Organisation of Cyprus, facilitates all those interested to participate either as observer or as active member in the international and European Standardisations committees, related to financial services. Such interest will strengthen the Cyprus involvement and help the sector acquire all relevant information, technology and innovative techniques as early as all the rest of our partners do.

The challenge is there.



no available funds in the cheque issuer's account. Bearing in mind that a large proportion of post-dated cheques ends up becoming uncovered, consumers are advised to be careful and have awareness of the creditability of the person from whom they receive a post-dated cheque.

Having the above in mind and in order to eliminate the problem of uncovered cheques, the Central Bank of Cyprus (CBC) along with the Co-Operative Credit Societies' Supervision and Development Authority, have established in 2003, the Central Information Registry for the Issuers of Dishonored Cheques (KAP), whose aim is to list all physical and legal persons who have issued uncovered cheques. The criteria under which a physical or legal person is registered in KAP, are either chronological (i.e. the issuer has issued at least three uncovered cheques within twelve months) or monetary (the value of any of the cheques is over EUR 2.000). In a recent meeting held by the KAP Committee at the Central Bank, it was agreed that the access to the KAP Registry should be widened not only to Banks, but also to other interested stakeholders, such as merchants.

As far as counterfeited cheques are concerned, it should be mentioned that the Association of Cyprus Banks and its members are currently in close communication with the CBC for examining the options regarding the application of safety measures in all future chequebooks which will prevent counterfeiters from any illegal activities.

As mentioned earlier, one of the most effective ways of reducing the circulation of cheques, is the increase of use of alternative electronic methods of payments such as Cards, Internet Banking, Direct Debits and Credit Transfers. If consumers manage to accept and increase the use of electronic payments, they will be able to enjoy all of their advantages, the most important of which is the saving of costs and time. This will occur since consumers will no longer have to go to the Banks or other cash counters for effecting their payments and will be able at the comfort of their own home or office, to effect their transactions electronically. Such examples include the renewal of car licenses and the payment of municipality fees and air tickets through the Internet, the establishment of Direct Debit agreements for the payment of Utility Bills and the transfers of funds (both locally and abroad), through Credit Transfers. Another advantage of electronic payments is the minimization of risks associated with man-made mistakes, theft or counterfeiting.

The introduction of SEPA Credit Transfers and SEPA Cards Framework by all member Banks of the Association in January 2008, has been the first step towards promoting electronic payments as it involves a unified and standardized system of payments throughout Europe. SEPA will be completed through the application of SEPA Direct Debits which is expected to be introduced by all member states before the end of 2009.

Cheques: Time to move on?



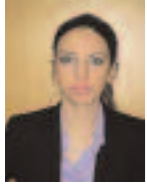
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Payment Systems

Cheques are still considered as one of the most popular methods of effecting payments in Cyprus, despite the intense efforts made by the Banking sector for replacing them with alternative, electronic methods of payments. In fact, Cyprus along with Malta, have one of the highest ratings of cheque usage in the European Union, whereas in certain other European countries, (such as in Scandinavia), cheques have been completely abolished. The reasons for that are: (i) the lack of infrastructure by certain small and medium-sized businesses (such as Doctors, Lawyers, Building Constructors etc), in accepting electronic methods of payments, (ii) the relatively low level of familiarity of Cypriot citizens (and especially the elderly) with technology and (iii) the use of post-dated cheques, which for certain people are

If consumers manage to accept and increase the use of electronic payments, they will be able to enjoy all of their advantages, the most important of which is the saving of costs and time

considered as a means of obtaining credit. In fact, many businessmen are using post-dated cheques as Bills of Exchange, something that eventually creates problems in the correct and timely observation of their businesses' inflows and outflows.

The clearing and settlement of cheques is a timely and costly procedure for Banks and requires complicated systems and considerable working hours until the full procedure is completed. Other problems associated with the use of cheques involve the dangers from receiving counterfeited or uncovered cheques. The latter occurs when a cheque is presented at a Bank's counter for deposit or settlement and is eventually discovered that there are



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New Regulatory Regime for Fiduciary Services Providers

The recent expansion of the EU Anti-Money Laundering Regulatory Framework to cover trust and company services providers has created the responsibility on Member States to create the relevant mechanisms to ensure their requisite EU convergence.

Consequently in Cyprus, a Draft Law for the Regulation of Fiduciaries, Trustees, Administration Services and Company Directors Providers ('Draft Law') has been recently issued for consultation and it is expected to be implemented later in the year.



Scope of the Draft Law

Regulated Services

The Draft Law regulates the following professional services ('Regulated services'):

- a) The creation, administration or the management of trusts and the provision of advice in relation to the latter services, including the provision of trustee services;
- b) The provision of company management services, including the creation and administration of companies or other legal entities. This category includes the following services:
 - (i) provision of company directors;
 - (ii) the provision of company secretaries or other company officials;
 - (iii) the provision of nominee shareholders;
 - (iv) the provision of registered offices, addresses etc;
 - (v) the provision of partners for the creation of partnerships;
 - (vi) the provision of similar to above positions in other organizations or legal entities;
 - (vii) the opening or the management of bank accounts or securities accounts.

Excluded Activities

The Draft Law specifically excludes from its ambit the following activities/positions: (a) custodians in UCITS, (b) directors in listed companies, (c) directors in companies where the director (or its close relative or its trustee) holds more than 10% of the shareholding in the company, (d) directors in subsidiary companies

of the companies described in b) and c), (e) directors or partners in exempted companies (f) the assumption by a natural person of company director positions in no more than 20 companies not including Exempted companies, (g) the assumption of trustee duties derived from the creation of a will, (h) any other activities decided by the Central Bank of Cyprus (CBC).

Exempted Persons/Legal entities

Exempted from the supervision of the Central Bank of Cyprus shall be persons providing Regulated services that are subject to regulation by an approved supervisory authority. These are: a) banks, b) insurance companies, c) lawyers, d) accountants, e) cooperative societies, f) investment companies. These service providers shall be supervised by their own supervisory authority, however they should notify the CB in relation to their exemption in order to be registered in the Register of Exempted persons kept by the Central Bank of Cyprus.

License

According to the Draft Law all persons (natural or legal) offering regulated services on a professional/commercial basis will be required to be licensed by the Central Bank of Cyprus, which shall be the regulating authority (Regulating Authority). The CBC shall keep a Register of Licensed persons.

Powers of the Regulating Authority

The powers of the Regulating Authority are at par with the powers of the Regulating Authorities of the rest of the financial sector in Cyprus. More specifically, the basic powers of the Regulating Authority are:

- to grant licenses and revoke or suspend licenses;
- to carry out the necessary checks and inspections for the verification of the correct implementation of the Law by the Licensed Persons;
- to issue Directives and Guidelines setting the duties of the Licensed and Exempted persons;
- to request and collect information necessary for the exercise of its statutory responsibilities arising from this Law.

Duties of Licensed Persons

To ensure the transparency and credibility of the Licensed Persons the Draft Law lays down a range of duties, the main being:

- the submission of Annual and Periodical Reports of the Regulating Authority;
- the implementation of adequate internal controls and policies;
- the application of Customer Identification, Due

Diligence Procedures and Record Keeping Procedures as provided by the Prevention and Suppression of Money Laundering Activities Law of 2007 and - the Notification of the Regulating Authority in relation to any changes in their ownership structure and Board of Directors composition.

Services Providers from the EU

Any person licensed in respect of the Regulated activities by a Regulating Authority of another member state may exercise these services in Cyprus following a notification received by the Regulating Authority in Cyprus.

Considering the above basic requirements of the Draft Law, there is no doubt that the implementation of this new regulatory regime, shall elevate Cyprus' position in the EU and International Fiduciary and Trustee services sector and hence enforce Cyprus' place as a primary regional financial center.

The Upcoming Private Collective Investment Schemes Law

Legal Basis of Open Ended Collective Investment Schemes in Cyprus

Opened Ended Collective Investment Schemes in Cyprus are governed by two different pieces of Legislation: first the Undertakings for Collective Investment in Transferable Securities (UCITS) Law, which transposed the Directive 85/611/EEC into national law; and secondly the International Collective Investment Schemes Law, which is a national law and soon to be replaced by the upcoming Private Collective Investment Schemes Law (the "Bill" or the "new Law"). The UCITS law concerns Schemes addressed to the general public, while the upcoming new Law will concern private Schemes (i.e. Schemes not addressed to the general public with up to 100 unit holders) and Schemes addressed to experienced investors. Below follows a description of this new Bill.

The Bill

- Under the current Law, International Collective Investment Schemes' assets and unitholders are non-residents of Cyprus. With the new Law this will change, so that assets and unitholders may be in Cyprus.
- Also, the current Law governs Private Schemes,

Schemes marketed to experienced investors and marketed to the general public, while the Bill does not cover Schemes addressed to the general public.

- At present, the Central Bank of Cyprus is the regulatory and supervisory authority for private Schemes. By virtue of the new Law, regulatory and supervisory power will shift to the Cyprus Securities and Exchange Commission (CySEC), which is the competent authority for UCITS too. It is hoped that this shift will achieve equal treatment of all Schemes in Cyprus.
- Under the new Law a Scheme may take one of the one of the following legal forms:
 1. Fixed Capital Company (FCC)
 2. Variable Capital Company (VCC) (similar to a SICAV)
 3. Unit Trust Scheme (UTS)
 4. Investment Limited Partnership (ILP)
- It is noted that all four legal types of Schemes can either be of limited or unlimited duration.
- Also, such Schemes must appoint a Custodian and a Manager, who must act independently from one another.
- Custodians may be: a Cyprus Bank licensed under the Banking Law, a Cooperative Company licensed under the relevant Law in Cyprus and any other person that provides trustee services to the public at large and which is adequately supervised.



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- The following entities may be eligible to act as a Manager: an Investment Firm (under MiFID), a UCITS Management Company, any other person that offers portfolio management services and is established in a country where there is adequate supervision and finally, in case of a Unit Trust and Investment Limited Partnership Scheme, a manager can be a person approved by CySEC and whose only purpose is to be a manager of such a scheme.
- The Schemes must issue half-yearly reports and annual reports and must have an offering Memorandum (Prospectus), which must be approved by CySEC.
- Collective fund of several sub-funds portfolios with varied risk profiles.
- Fund managers providing an investment tool for their clients.

Tax Advantages

The Schemes are subject to taxation like any other entity. This translates to the following basic highlights:

- Very low corporate tax rate. A unified corporate rate of 10% for both international and local business enterprises.
- Adoption of the residency basis rather than source basis as the criteria of taxation.
- Exemption from tax on profits from sale of shares and other financial instruments.
- Exemption from tax on foreign dividends received.
- Absence of any withholding taxes of interest payments made abroad.
- Absence of withholding taxes on dividend payments, interests and royalties from Cyprus to non-residents.
- Capital gains realized on immovable property held outside Cyprus are outside the scope of capital gains tax.
- Relative simplicity of Cypriot tax regime.
- Favourable network of tax treaties with some 40 countries.

Practice in Cyprus:

In Cyprus, people who normally set up and operate such Schemes include financial services companies, fund managers, investment firms and high net worth individuals. In practice the following circumstances appear:

- Funds for property investments especially in central Europe, Russia and ex-USSR countries.
- Accumulating funds of high net worth individuals in a collective scheme, which is flexible.
- Investments in securities, bonds and other financial instruments, capitalizing tax-free gains.

The revision of the Deposit Protection Scheme in Cyprus

Two different deposit protection schemes exist in Cyprus. One protects the customers of banks and the other protects the customers of Cooperative Credit Societies. The Deposit Protection Scheme (DPS) for the protection of banks' customers was drafted in accordance with the EU Directive 94/19/EC and was implemented in September 2000. The Scheme operates under the auspices of the Central Bank of Cyprus and its purpose is to offer compensation to depositors in case a bank is unable to repay its deposits. A Fund was established under the Scheme, the capital of which is comprised of contributions by participating banks and a Management Committee has been formed for administration purposes. The Management Committee consists of five members, two of which are representatives of the Association of Cyprus Banks.

Participation in the DPS is compulsory for all banks incorporated in the Republic of Cyprus, including their branches in other countries. Currently, 31 local and foreign banks participate in the Scheme.

According to the national regulations, the level of compensation per depositor equals 90% of the amount of each protected deposit. This implies that 10% of the loss is shared by the depositor (co-insurance element). The maximum amount of compensation has been set at €20,000 per person. This compensation is calculated on the basis of the total deposits maintained by the depositor within the same bank (i.e. aggregate of current accounts, deposits, savings accounts). In the event of a bank failure, the Management Committee publishes an announcement in the official Gazette and in the daily press in order to make known that the member is unable to repay its deposits. Following this, the Committee proceeds with the payment of the compensation, which should be concluded within three months from the date the deposits, became unavailable.

The global financial turmoil we are experiencing led to the need to restore consumer confidence and stability in financial markets. One reaction to the economic crisis was the endorsement of the new EU legislation on Deposit Guarantee Schemes (DGS) in December 2008. The new law amends Directive 94/19/EC and aims to booster customer confidence and financial safety in the European market. The Cyprus

authorities have taken immediate action to comply with the aforementioned regulations. The revised national law will come into force by mid 2009. The main changes to be implemented under the revised DPS in Cyprus are as follows:

- Coverage of all deposits denominated in Euro as well as foreign currency deposits.
- Based on the revised European Directive, Member States are required to increase the coverage level to at least €50,000 and within a further year to €100,000. In Cyprus, the Scheme provides from the first year of its implementation maximum compensation of €100,000 per depositor for the aggregate of the deposits maintained within the bank.
- The former provision of co-Insurance has been abolished.
- Compensation will be paid within 20 working days from the date the deposits became unavailable.

Certainly, the revised DPS is more favorable to bank customers than the former scheme and it is anticipated that it will bring direct benefits to the Single Market. The revised regulations do not only guarantee higher levels of deposits but they are also simpler and clearer. The co-insurance element, which confused depositors, has been abandoned while provisions for faster compensation payments have been introduced.

Without undermining its importance, the enactment of the new DPS may not be enough. Consumer awareness and sufficient understanding of national protection schemes are also fundamental elements for market stability. History showed that inadequate information can lead to a crisis in times of financial difficulties, as it was the case of the Northern Rock episode in the UK in September 2007. An FSA's



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study that was carried out in January 2008 showed that during that time there was poor awareness of the Financial Services Compensation Scheme (FSCS). This lack of awareness was considered to contribute to the Northern Rock episode. The study showed that only 1% of those questioned were aware that the compensation limit under the FSCS was £35,000. Additionally, 66% that is the majority of the participants in the survey did not know that the above compensation was for deposit accounts. It was pointed out that depositors were uncertain about the safety of their deposits and this lack of confidence led them to queue outside Northern Rock branches in order to withdraw their funds. This behavior would have been avoided if consumers were better informed about the FSCS and its compensation mechanism.

While it cannot be considered a substitute of consumer protection, financial literacy is necessary for the sound functioning of financial systems. Having this in mind, financial authorities and banking institutions need to lay down measures to raise understanding and public awareness on the amended protection schemes within their country. This can be achieved through the implementation of information campaigns, voluntary Banking Codes and other communication channels (TV and radio programmes, press releases, internet services). However, such activities should be carefully designed and distinguished from commercial advertising, should be transparent and simple and should be employed not only at national level but also at European and international level in order to meet all needs including those of the least financially educated people.

including details of the banks, the user who accessed the system, the time and the purpose of the request. Possible excessive usage by a bank, a department or a specific user will be investigated.

Undoubtedly, the establishment of Artemis Banking Information Systems Ltd will benefit both the local

banking system and the economy. Better credit risk management practices and fraud monitoring will lead to a reduction of non-performing loans and bad debts. At the same time, Physical and Legal Entities will possibly gain greater access to financing on more favourable terms, faster decisions on their loan applications and more competitive services from the banks.

Informational and Statistical Data concerning collective agreements in the Banking Sector

The Cyprus Bankers Employers' Association (CBEA) was established in 1965 and is registered as a legal entity under the provisions of the Trade Union Law. The CBEA aims to promote cooperation between its member banks and banking organizations with regard to policy and practice in the fields of industrial relations and labour matters. Any registered bank that operates under the provisions of the Banking Law or any other existing Law, which allows the establishment of banks, may become a member of the Association. In addition, organizations, which are established by all, or the majority of CBEA member banks may be accepted in the Association's membership, provided that they comply with certain requirements.

CBEA acts on behalf of the banking sector on issues concerning labour, human resource management, industrial relations, physical security, health and safety in the workplace and cooperates closely with appropriate public and private institutions.

The Association is a member of the Federation of Employers and Industrialists in Cyprus (OEB). It is also a member of the Banking Federation of the European Union (EBF) and participates regularly in its Banking Committee for European Social Affairs and its Working Group of Physical Security. In addition CBEA takes part in international conferences and meetings concerning labour matters and physical security in banking.

CBEA enlist 10 member banks and banking organizations with almost 9.000 employees, representing the 2.27% of the working population of the country, (including Co-operative Central Bank but excluding Cooperative Credit Societies).

ETYK, the biggest trade union in banking, has a strong hold on its members and has developed into a formidable agent in collective bargaining. The unionization rate in the banking sector in Cyprus must be one of the highest anywhere, not being very far from 100%.

The Employers (CBEA) and the Trade Union (ETYK) negotiate over the contents of collective agreements. They are assumed to be gentlemen's' agreements and to have no force of law. The two parties however, have mostly exhibited respect for collective agreements, even though they are not legally binding instruments.

General Information Concerning Employment in the Banking Sector in Cyprus, as at 1.1.2009:

- Level of Employment : As at 1.1.2009 the total number of staff (at the member banks of CBEA) was 8.921. 4.143 men or 46.44% and 4.778 or 53.56% women.
- Employees per District :

• Nicosia	: 5.530 or 61.99%
• Limassol	: 1.601 or 17.95%
• Larnaca / Famagusta	: 1.113 or 12.47%
• Paphos	: 677 or 7.59%

	8.921 100%
- Holders of Organic Position :The total number of organic position holders' was 3.067, representing the 34.38% of the total number of bank employees.
 - 1.890 or 61.62% were men and
 - 1.177 or 38.38% were women
- University Graduates : 3.691 or 41.37% of the total number of staff were university graduates (1st or 2nd degree holders). Out of this number 1.462 or 39.61% were Master's Degree Holders.
- Average Age of Banks' Staff :
 - For men 41 years and
 - For women 37 years



Vasso Michaelidou
Senior Industrial Relations Officer
Cyprus Bankers Employers Association



Michael Kronides
Senior Officer
Banking Supervision

Artemis Banking Information Systems Ltd

In line with the global trend to improve credit risk management in the financing industry, the Association of Cyprus Banks is in the final stage of establishing a Credit Bureau. The importance and usage benefits, as mentioned in the Capital Requirements Directive and the amended Consumer Credit Directive, have put pressure on the banking industry to set up a system to facilitate the exchange of information for customer credit assessment purposes.

A Credit Bureau essentially collects credit information from different banks and furnishes this information back to the banks, supplemented with other publicly available information, in the form of a credit report. In today's complex and highly competitive financial world it is extremely important for banks to be able to access a credit applicant's complete credit record, which may be spread over different banks, in order to gain better understanding of the applicant's financial situation and repayment ability.

In June 2008 the Board of Directors of the Association of Cyprus Banks decided to set up a local Credit Bureau and for this purpose established a separate legal entity under the name of "Artemis Banking Information Systems Ltd" (Artemis). Since then, Artemis initiated

all necessary steps regarding the operational aspects of the company, including regular contacts with the Central Bank of Cyprus and the Commissioner for Data Protection for issues relating to the collection and processing of data. It is expected that by the 4th quarter of 2009 Artemis will be fully operational and able to provide accurate and up-to-date credit information to member banks. Credit reports will only provide credit data information, not an opinion, indication or comment whether credit should be granted or not. The decision to grant or deny credit is taken by the bank after evaluating the credit worthiness of the customer.

One of the greatest challenges in providing credit bureau services to financial institutions is the need to ensure the confidentiality of credit information and other personal data. Artemis will adopt strict procedures and will set detailed and specific limitations governing access to the information by banks. Only approved and authorised users will be allowed to access the system, only for the purpose of credit evaluation. Further disclosure of information to any other third party or usage for any other purpose will be strictly prohibited. Artemis will impose penalties to deter unauthorised access, abuse or misuse of the system. For this reason it will keep records of all requests for credit reports,





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