



ANNUAL REPORT

2015 - 2016



ASSOCIATION OF
CYPRUS BANKS

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1

Message from the Director General

The year 2015 was marked by significant developments in the Cyprus banking system as well as the economy. Despite the recent progress however, the problem of non-performing loans has not been eliminated, and it can be seen that greater cooperation is required by everyone, including borrowers.

The Parliament has approved the legislation which relates to insolvency, foreclosures and the sale of loans, matters which directly affect the banking sector. Notwithstanding the Association's views on particular aspects, we generally believe that these laws are effective tools, enabling banks to deal with difficult and sensitive matters, such as non-performing loans and loan restructurings.



In order to further reform their portfolios and to promote loan restructurings, the banks have initiated the procedures to implement the new legislations. The banks have repeatedly reassured that they will not abuse the foreclosure tools for mortgaged residences. As stated by the Association of Cyprus Banks and the banks themselves, mass foreclosures would be counter-productive and against the interests of both the banks and the economy. Yet this measure, which has already been put into action, acts as a pressure lever against those who choose to default on their debts, despite having the economic means to repay them.

As well as the implementation of the new legislation, banks have effectively proceeded with the restructuring of non-performing loans. According to the Central Bank of Cyprus, there has been a significant progress in this respect.

Additionally, the banks have continued their effort towards regrouping, through improving their internal organization and structure, as well as their balance sheets. In recognition of their efforts, foreign credit rating agencies have upgraded them.

The Association of Cyprus Banks has supported the banks' attempts to enhance the international credibility of our banking system and to boost the public's confidence in the local financial system.

It can be seen that the combined efforts made both by the banks and the Association have brought positive results. Nevertheless, our banks are still facing great challenges. Among these challenges are the implementation of the new legislations and directives for the recovery and resolution of financial institutions, the restructuring of non-performing loans, the fight against money-laundering, the information exchange for combating tax evasion and the fight against cybercrime. These are some issues that the Association addressed in the year to date and they are expected to continue to require attention from the banking sector.

The improvement of the situation in the Cyprus economy certainly contributes towards tackling the challenges more effectively. The resumption of positive growth, the successful conclusion of the macroeconomic adjustment program and the fact that unemployment has started to abate are noteworthy indicators that the economy is on the path of recovery. These developments have had a positive impact on the fiscal deficit (-1%) and on public debt (108,9% of GDP). Moreover, the positive results in the tourism sector and the recent gains in the real estate sector confirm that the economic prospects are improving.

The successful conclusion of the three-year macroeconomic adjustment program enables our country to define its economic policy more autonomously, while it sends a message that Cyprus is back on track. This positive development is significant as it creates the circumstances which will attract foreign investments and will enhance new sectors of business activity, building on both our competitive advantages and on emerging opportunities. In light of this, the exit from the macroeconomic adjustment program gives a further impetus to the efforts of the banks, which aim for a healthy economic environment where they will be better able to contribute towards the development of the country.

At the same time, the constantly evolving international scene does not leave any room for complacency in the management of the economy or in the implementation of measures for the protection of the banking system.

Taking all these developments into account, we are cautiously optimistic as far as the future of the banking sector and the economy in 2016 are concerned.

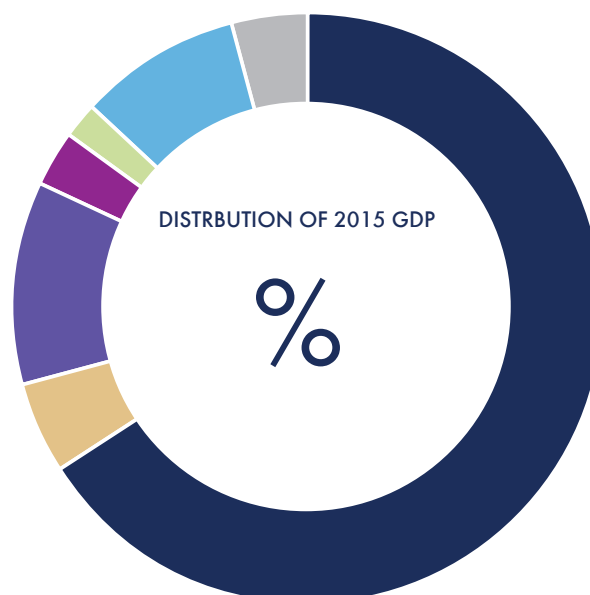
We hope that the government and the new Parliament will have a fruitful cooperation for the continuation of the necessary reforms and legislative changes in economy.

As the economy is recovering, both the modernization process and the institutional restructuring will have to continue more intensively in order for the economy to regain its path of sustainable growth.

The Association of Cyprus Banks will continue its efforts to be a leading interlocutor on behalf of the private sector, assessing and forming proposals related to the economic, monetary and financial developments.

2

Economic Environment



The Cyprus Economy

In March 2016, Cyprus managed to successfully conclude its €10 billion three-year macroeconomic adjustment programme. Although the initial agreement with the IMF, European Commission and the European Central Bank was for a loan of €10 billion, Cyprus has only needed to draw €7.3bn of the available funds. Cyprus therefore becomes the fourth country following Ireland, Spain and Portugal, to conclude a eurozone bailout. During the economic adjustment programme, Cyprus emerged from the recession, stabilized its financial sector, consolidated its public finances and regained access to international financial markets.

Even though the external environment was challenging, the year 2015 marked the economy's return to growth. After 14 successive quarters of contraction, growth turned positive in the first quarter of 2015 and has remained positive for all subsequent quarters of the year. Real GDP increased by 1.6% in 2015 and prospects remain positive for 2016.

Nearly all economic sectors experienced recovery and contributed to positive growth in 2015. Growth was driven by both domestic and external demand, with assistance from low inflation, low oil prices and the depreciation of the euro against key currencies, especially the British pound.

The professional services sector has proven to be resilient throughout the crisis years and performed soundly in 2015. New company registrations for the year 2015 have remained as a total at the same levels as 2014, however, the new company applications have picked up during the last quarter of 2015 and have continued to exhibit double-digit increases for the first months of 2016.

Falling lending interest rates and prices have aided consumption, and the retail trade sector has grown throughout 2015.

PERCENTAGE DISTRBUTION OF 2015 GDP

Services including tourism	66%
Manufacturing	5%
Transport & Communications	11%
Construction	3%
Agriculture	2%
Financial Intermediation	9%
Others	4%

Source: Statistical Service of Cyprus
(provisional data for 2015)

Confidence, according to the Economic Sentiment Indicator (published by the Economics Research Centre of the University of Cyprus), is at high levels despite some short-lived setbacks related to developments in Greece. During the first three months of 2016 the economic sentiment indicator has remained higher than the EU average. As this indicator has been a good predictor of growth, it bodes well for the continuation of the recovery.

Tourism has had a strong performance in 2015 after a weak 2014. Tourism revenue in 2015 marked an increase of 4.4% compared to revenue in 2014. Trends for 2016 are very positive and for the first two months of the year tourist arrivals increased by 23.9% compared to the same period in 2014. Prospects for 2016 remain promising due to steady growth in the UK and political instability shifting tourism from other competing destinations.

The real estate sector, following a prolonged decline, has started to show signs of recovering as there are indications of increasing demand and rising construction activity. Leading indicators such as cement sales and value of sale contracts and number of total transactions recorded by the Department of Land and Surveys, have continued to rise from the end of 2015. Demand from foreign buyers is increasing, following the residence permit and passport incentives implemented by the government.

The fiscal consolidation measures adopted by the government consisted mainly of cuts of permanent nature in wages, pensions and social spending. These resulted in attaining primary surplus targets ahead of target and in setting public debt on a downward path. As economic activity has continued to strengthen and fiscal performance remained ahead of projections, ratings upgrades have reflected these favorable developments and increased the attractiveness of Cyprus sovereign debt. This allowed the government to successfully tap the international bond markets through three Eurobond issues since the 2013 crisis, while the yields declined to historically low rates. In the future, even without the bailout programme, Cyprus as well as other member states, will be obliged to follow strict Eurozone rules that include the maintenance of a balanced budget rule, automatic correction when budgets deviate from targets and monitoring of the budget through an independent national authority (Fiscal Council).

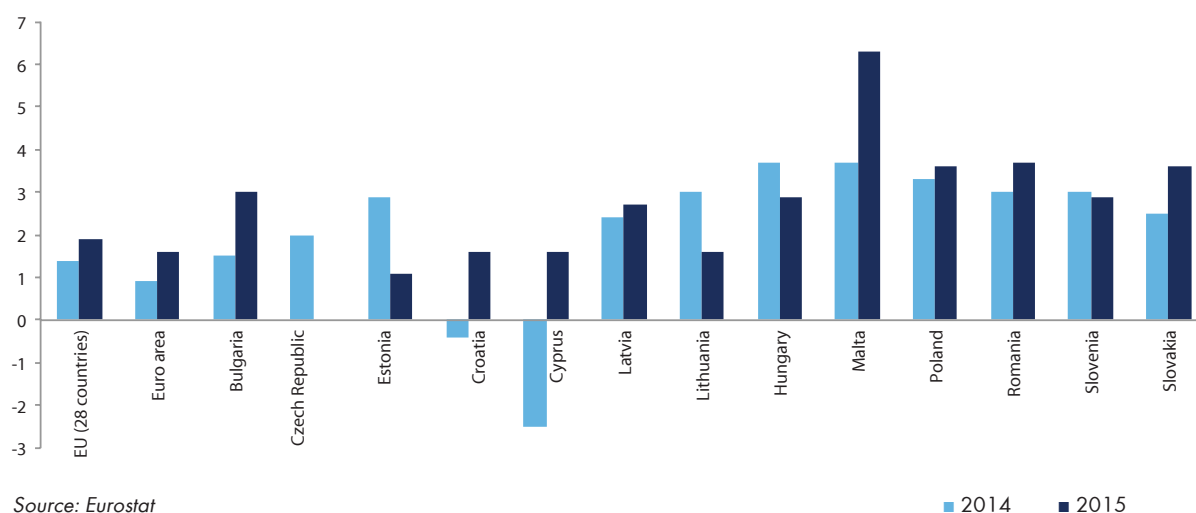
Inflation as measured by the Harmonized Index of Consumer Prices (HICP), remains lower than in most EU countries. Inflation began a downward trend since 2013 and in throughout 2015 was also negative, reflecting declining energy and domestic prices of goods (HICP was -1.5% in 2015 compared to -0.3% in 2014). The price level is expected to stabilize in 2016 and inflation is projected to pick up towards the second half of the year as economic activity and demand increase.

GDP Real, % Change

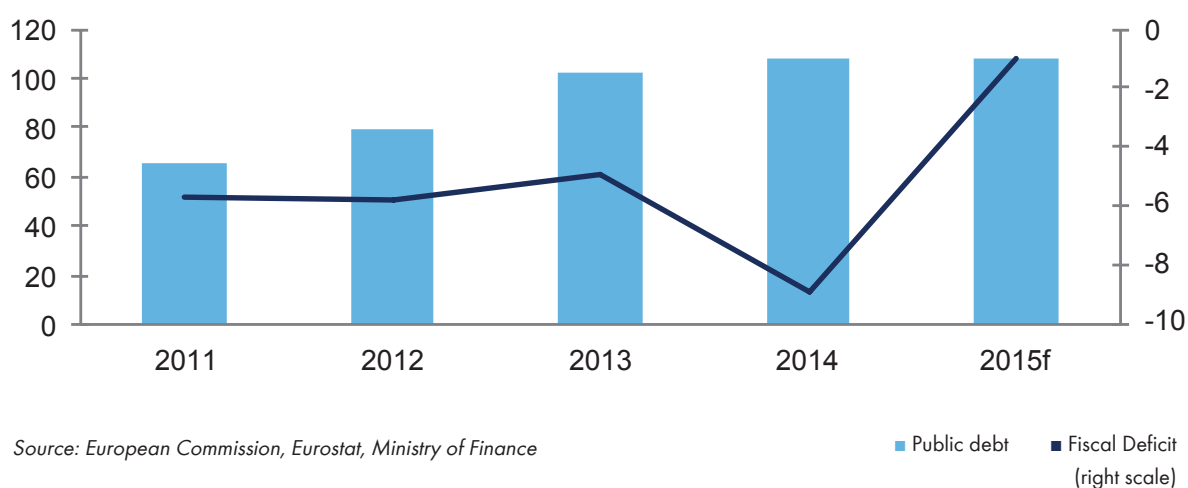
	2011	2012	2013	2014	2015	2016F	2017F
Cyprus	0.4	-2.4	-5.9	-2.5	1.6	1.7	2.0
EUR 28	1.8	-0.5	0.2	1.4	2.0	1.8	1.9
Euro Area	1.6	-0.9	-0.3	0.9	1.7	1.6	1.8
USA	1.6	2.2	1.5	2.4	2.4	2.3	2.2
Japan	-0.5	1.7	1.6	-0.1	0.5	0.8	0.4

Source: Eurostat, European Commission

Real GDP growth rate



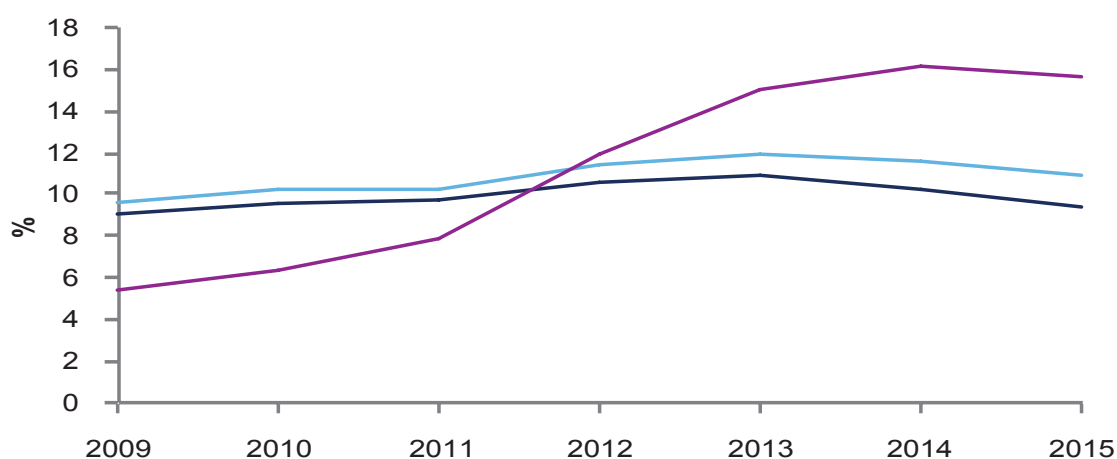
Public Debt & Fiscal Deficit (% of GDP)



Unemployment in Cyprus, which had reached one of the highest levels in the EU, is beginning to show encouraging signs. The overall unemployment rate for the year 2015 declined to 15.1% compared to 16.1% in 2014. However, looking at monthly data, it can be seen that the increased momentum of the economy has led to a gradual and significant improvement in the labor market which picked up towards the end of 2015 and is continuing the trend in the beginning of 2016.

According to the latest Economics Outlook report of the Economics Research Centre of the University of Cyprus, the recovery of economic activity in Cyprus is forecasted to continue in the following quarters and gain momentum in 2016, where they expect GDP to expand by 2.7%. Growth projections by the European Commission for 2016 remain more conservative, even though they are expected to be revised upwards. Growth is expected to be driven by the upturn of the tourism sector, the reductions in domestic lending interest rates as well as favorable foreign demand conditions through the continuation of modest growth in the euro area and the accommodative monetary policy of the European Central Bank.

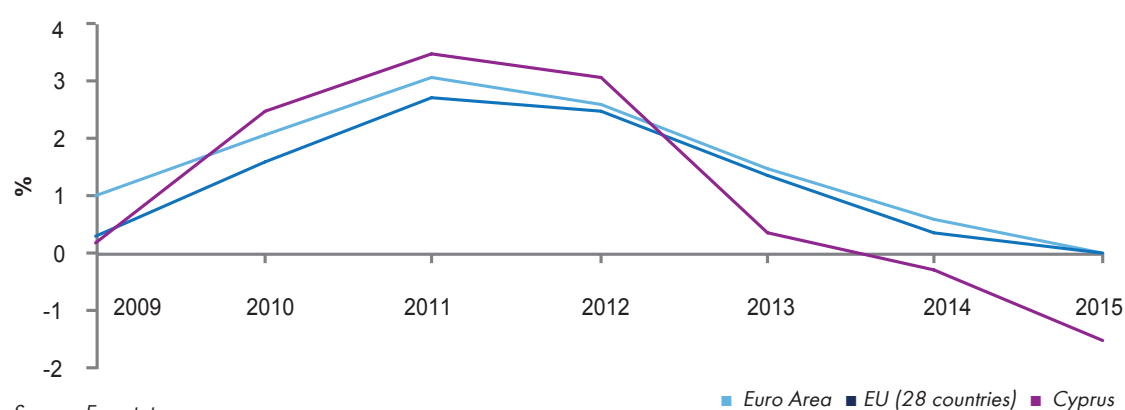
Unemployment in Cyprus, the Euro area & the EU28



Source: Eurostat

■ Euro Area ■ EU (28 countries) ■ Cyprus

Inflation in Cyprus, the Euro area & the EU28



Source: Eurostat

■ Euro Area ■ EU (28 countries) ■ Cyprus

The improved macroeconomic environment is also expected to attract new investment which is key for future growth. For example, the recent privatization of the commercial activities of Limassol Port is expected to lead to efficiency gains for the economy and to help with the public debt reduction, as this is expected to result in revenues of two billion euros for the state within the next 25 years.

However, economic recovery remains fragile as the high level of non-performing loans acts as a drag on renewed lending and poses risks to the banking system. In addition, the economy remains vulnerable to global economic developments, regional instability in the Middle East and further devaluations of the sterling and rouble. For these reasons it is important to note that authorities in Cyprus remain committed to maintain the prudent macroeconomic and fiscal policies, as well as to continue implementing structural reforms.

Major Economic Indicators

Cyprus Major Economic Indicators

		2012	2013	2014	2015	2016f
GDP (Real Growth)	% Change ⁽¹⁾	-2.4	-5.9	-2.5	1.6	1.7
GDP (At Current Prices)	EUR mil.	19,469	18,065	17,394	17,421	N/A
GDP Per Capita (EURO)		21,849	20,246	19,776	20,342	N/A
GDP Per Capita (PPS)	EU - 27 = 100	91.0	84.0	82.0	N/A	N/A
Unemployment	%	11.9	15.9	16.1	15.1	13.4
Inflation Rate	% Change ⁽¹⁾	3.1	0.4	-0.3	-1.5	-0.7
Current Account Balance	% of GDP	-5.5	-4.5	-4.6	-3.5	-4.2
Fiscal Deficit	% of GDP	-5.8	-4.9	-8.9	-1.0	-0.4
Total Public Debt ⁽²⁾	% of GDP	79.3	102.5	108.2	108.9	108.9
Total Public Debt ⁽²⁾	EUR mil.	15,431	18,512	18,819	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 of Cyprus to the IMF.

- **Doing Business 2016 (World Bank):** Cyprus is ranked 47th out of 189 economies.
- **Global Competitiveness Index 2015-2016 (World Economic Forum):** Cyprus is ranked 65th overall out of 140 countries.
- **Index of Economic Freedom World Rankings 2016:** Cyprus is ranked 42nd out of 178 countries

Stock Market Developments

The Cyprus Stock Exchange (CSE - www.cse.com.cy) operates a Regulated Market and a Market in the form of Multilateral Trading Facility (the 'Emerging Companies Market'). The CSE is supervised by the Cyprus Securities and Exchange Commission. Additionally, the CSE is responsible for the management of the Central Depository and Central Registry (CSD). The CSD maintains registries for securities listed on the CSE as well as unlisted securities, whose issuer wishes the maintaining of the registry by the CSD.

The stock exchange in Cyprus was greatly affected by the difficult economic conditions of the past years. This was reflected in the transaction volume of the Cyprus Stock Exchange (CSE) which remained in low levels. The total volume of trading in the CSE was around €150 million in 2015, an increase of 100% compared to €75 million in 2014. The CSE General Index ended 2015 at 67,75, registering a decrease of 21% compared to the year end of 2014 (85,70 units).

Market capitalization (only shares in the regulated market) was €2.5 billion at year end 2015, compared with market capitalization last year of €3.4 billion.

As well as other sectors of the Cyprus economy, the Cyprus Stock Exchange is affected by the current developments in economy. 2015 was a rather difficult time, since Cyprus went through the economic adjustment program and a negative economic growth.

A factor which contributed to the Stock Exchange's downward trend was undoubtedly the general depression on a global and European level.

More specifically, in the European Union the attempts for economic recovery continued, while lack of liquidity and investment problems influenced the markets. In addition, the feeling of uncertainty in Greece is another factor which affects the Cyprus Stock Exchange severely, due to their common platform.

Developments in the past twelve months:

- As of April 2015, the CSE abolished the Parallel, the Investment Companies, the Major Projects and the Shipping Markets, in order to further upgrade the stock exchange and to be in line with modern developments in the European markets. The Regulated market of the CSE is now composed of the Main Market and the Alternative Market, together with the Government Bonds Market, the Corporate Bonds and the Collective Investment Schemes.
- In response to the introduction of EMIR (European Market Infrastructure Regulation), the CSE signed in October 2015 a Memorandum of Understanding with Athens Stock Exchange. Under the MoU the two parties undertake to examine a furthering of their cooperation, whereby ATHEXClear (Athens Clearing House), as a licensed EMIR Central Counterparty (CCP) will assume CSE's Markets clearing. CSE and Athens Stock Exchange already have a ten-year successful cooperation in the context of the Common Platform. Under this new agreement, it is believed that the CSE will have an opportunity to attract new investors and intermediaries through upgrading of its clearing process.
- The CSE was included in the list of organizations that have been declared by the Council of Ministers to be institutions subject to privatization.
- CSE together with the Athens Stock Exchange is examining the introduction of the first Exchange Traded Fund (ETF) in Cyprus.
- CSE has signed an agreement with GXG Markets, a Danish regulated stock exchange, to implement a procedure of mutual cooperation and promote dual/parallel listings.
- As of November 2015, the CSE became a full member of the Federation of Euro –Asian Stock Exchanges – (FEAS).

3

The Banking Sector

General Overview

The banking sector in Cyprus comprises of domestic banks, international banks with Cyprus based subsidiaries or branches and co-operative credit institutions (CCIs). Beyond the traditional deposit and lending services (to households, corporations, SMEs), banks in Cyprus operate under the “universal banking model” as they offer a diverse range of products and services. Deposits from customers have traditionally been the main source of funding for banks.

At present there are 57 authorized credit institutions in Cyprus, consisting of 6 local authorized credit institutions, the Co-operative Central Bank and 18 affiliated Cooperative Credit Institutions (CCIs), 4 subsidiaries of foreign banks from E.U. member states, 2 subsidiaries of foreign banks from non-E.U. member states, 9 branches of banks from E.U. member states, 15 branches of banks from non-E.U. member states and 2 representative offices.

Banking Sector – Statistics (31/12/15)

	Banks	Coops
Deposits (€ million)	33,193	12,775
Loans (€ million)	53,455	9,325
Branches	308	252
Personnel	8,295	2,644
Branches per 100,000 inhabitants	39	32
Branches of Credit Institutions per 100,000 inhabitants	67	

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

Banking Union

Within the framework of the EU Banking Union, since November 2014 the CCIs and Cooperative Central Bank, together with Bank of Cyprus, Hellenic Bank and RCB Bank, were among the European credit institutions that came under the direct supervision of the ECB, as part of the Single Supervisory Mechanism (SSM) provisions, whereas the subsidiaries of Greek banks are supervised by the SSM as their parent banks are systemic in their home country.

The three main elements of the Banking Union are:

- 1) The new regulatory framework with common rules for banks in the 28 member states, ensuring that deposits up to €100,000 (per depositor, per bank) are protected at any time throughout the E.U.
- 2) Direct supervision by the ECB for systemic banks. Smaller banks will be under the supervision of the national supervisory authorities, however, the ECB may at any time decide to supervise directly one or more of the smaller credit institutions in order to ensure the consistent implementation of regulation.
- 3) The Single Resolution Mechanism and Single Resolution Fund to address problems with banks that require resolution.

Banking Developments

Conclusion of the economic adjustment program

The stabilization of the financial system has been one of the accomplished goals of the economic adjustment program. Banks in Cyprus have been restructured and recapitalized while, at the same time, the banking regulatory and supervisory regime has been significantly strengthened. A milestone in the restoration of confidence has been achieved with the successful completion of the EU-wide and ongoing comprehensive assessment exercise in October 2014. This has led to the stabilization of deposits, which allowed the lifting of the final restrictive measures on cross-border movement of capital in April 2015.

The biggest challenge faced by bank executives now is the reduction of the excessive level of NPLs and towards this goal, great efforts are directed to restructure and clean up banks' balance sheets.

Recapitalization and Restructuring of the Banking Sector

Banks have restructured their operations by downsizing their balance sheet, reducing their loan-to-deposit ratio, and improving capital and liquidity buffers. Operational restructuring has resulted in a leaner branch network and in a reduction of operational costs.

By early 2015 the CRD IV was transposed and, as a result, all banks including cooperative credit institutions have minimum capital requirements in line with the harmonised benchmark. According to CRD IV, banks need to maintain specific capital buffers in excess of the minimum Pillar 1. Also, the Central Bank of Cyprus (CBC) may request systemic banks (Other Systemically Important Institutions – "OSII") to maintain additional capital buffers.

According to the latest data of the CBC, the Common Equity Tier 1 Capital Ratio for the Cyprus banking sector was 15.4% in December 2015 (December 2014: 14.2%).

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 during the past twelve months are:

- The Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Scheme Directive have been transposed into national law in the beginning of 2016.
- In enforcing the BRRD, a recapitalization fund was created and this is funded from a special levy imposed on all banks and credit institutions in Cyprus in a way that complies with ex-post contribution of the banking sector to support resolution financing.
- In November 2015, the Sale of Loans law was adopted (The Sale of Credit Facilities and Related Matters Law of 2015), allowing banks to sell individual loans or segments of their portfolio, while preserving the safeguards for small borrowers mandated under the Code of Conduct.
- A draft law on asset securitization has been prepared and is expected to be voted within 2016. This is anticipated to facilitate bank deleveraging.

- A comprehensive insolvency framework has been established within 2015, setting appropriate corporate and personal insolvency procedures, and its implementation has begun. The new Insolvency Service is operational and began receiving applications, insolvency professionals have been authorized and the training of insolvency professionals and judges has started.
- The Foreclosure framework is being implemented, aimed at modernizing and streamlining time-consuming procedures as well as incentivizing repayment discipline. All necessary elements required to hold real estate auctions according to the law have been put in place (auction houses, auctioneers etc). Banks are expected to begin selling a number of foreclosed commercial and non-primary residences as from summer 2016.
- The Transfer and Mortgage of Immovable Property Law was amended to deal with certain legacy cases in the property market. The amended law provides that encumbrances resulting from developers' mortgages can be lifted and the title can be transferred freely to the final buyer provided that the buyer has paid the purchase price for the property.
- In April 2016 a package of laws on Leasing were enacted.
- To strengthen the governance of the Central Bank of Cyprus, a governance review was undertaken aimed at reinforcing the independence of the institution and its key officials. This is aimed at increasing the effectiveness and accountability of the CBC's decision making. In addition, a comprehensive reorganization of the CBC is under way.
- The CBC Directive on the prevention of money laundering and terrorist financing was amended. Its new provisions serve to strengthen the "know your customer" principle as well as the requirements regarding the handling of business relationships with third parties that provide services to credit institutions with customer identification and due diligence.

Non-Performing Loans

Excessive indebtedness in the past, combined with the recent recession and delays in the judicial system, have led to a very high level of non-performing loans, which make up around half of the portfolio of loans to households and non-financial corporations as at the beginning of 2016.

Banks in Cyprus have taken substantial steps to improve NPL management and quicken the pace of loan restructuring. They have created centralized arrears management units that focus on: (i) responding proactively in the case of early arrears to prevent short-term payment issues from migrating into NPLs; and (ii) using targeted strategies for different business segments to restructure loans that have been past due for at least several months, including debt-for-property swaps.

It is important to note that the relevant legal framework as well as infrastructure is now in place to support the gradual reduction of NPLs in the system. The code of conduct for arrears management as well as the insolvency and foreclosures frameworks have been implemented, and the bill enabling the sale of loans has been voted. By the beginning of 2016, the auction rooms and auctioneers became operational. These tools, together with the gradual improvement in the economy and reductions in lending interest rates, are expected to help bring non-performing loans down to sustainable levels. The pace of NPL restructuring has been increased, as seen by the quarterly data released by the CBC. In addition, three quarters of restructured loans abide by their new repayment schedule agreed as part of the restructuring. The CBC is closely monitoring the restructuring through the setting of bank-by-bank quarterly restructuring targets and through monitoring the targets to take timely corrective measures.

Financial Intermediation

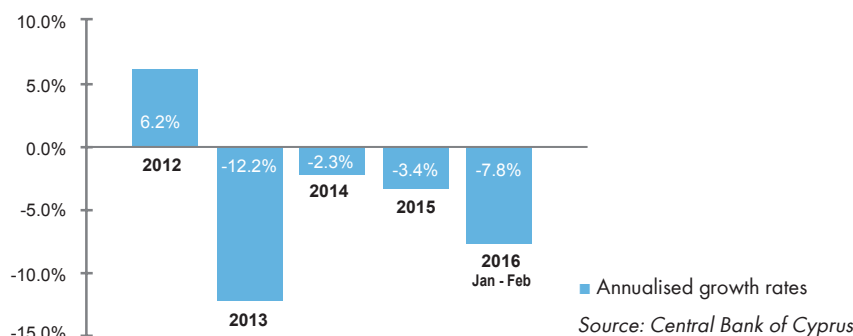
Aggregate bank deposits were stable from the end of 2014, in particular following the successful completion of the EU-wide Comprehensive Assessment in November 2014, and have risen from the end of 2015. It is important to note that this development occurred despite the complete removal of restrictions on capital movement in April 2015 and the declining deposit interest rates.

Within 2015, deposits held with all monetary financial institutions were marginally increased by 0.2%, compared to a reduction of 4% in 2014. In the first two months of 2016 deposits exhibited an annualized increase of 1.9%.

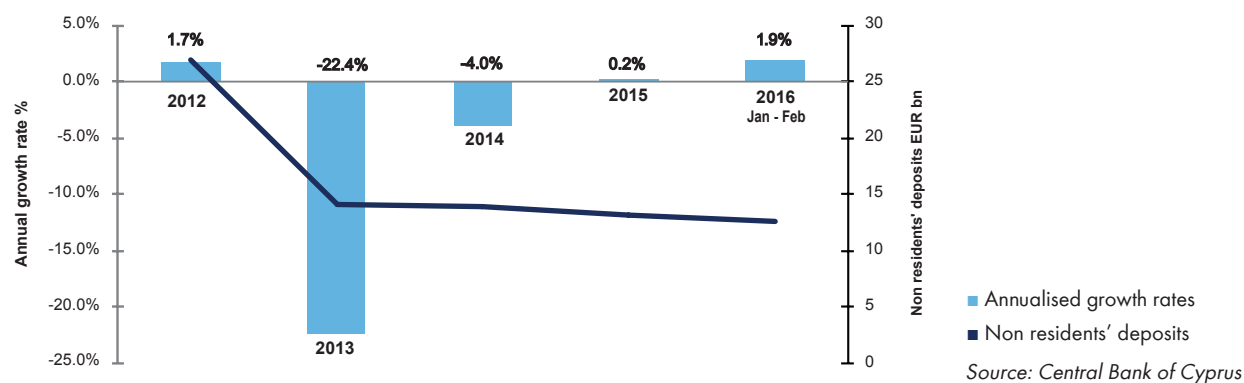
In the years 2014 and 2013, total lending in Cyprus contracted as banks and individuals strove to deleverage. During 2015, the aggregate stock of bank credit was broadly stable and at the year-end stood at €62.8 bn from €61.5 bn at the end of 2014.

According to the latest Bank Lending Survey carried out by the Central Bank of Cyprus, demand for all kinds of loans has registered important increases throughout 2015. Participating banks expect demand for housing loans to increase further in the first quarter of 2016. On the other hand, demand of loans by enterprises and households for consumer purposes is expected to remain stable for 2016Q1. Following the tightening of credit standards immediately after the crisis, credit standards now remain stable and are expected to stay unchanged.

Loans by Monetary Financial Institutions



Deposits held with Monetary Financial Institutions



Bank Credit by Sector

As the table below shows, lending to non-financial corporations has started to recover in 2015, exhibiting modest increases of 2.3% while lending to households was reduced.

	End of period balances €million		Outstanding amount as a % of total		Annual % change
	2014	2015	2014	2015	
General Government	1,165	863	1.9%	1.4%	-25.9%
Other financial intermediaries	9,686	11,797	15.7%	18.8%	21.8%
Insurance corporations & pension funds	68	23	0.1%	0.0%	-66.5%
Non-financial corporations	25,773	26,363	41.9%	42.0%	2.3%
Consumer credit	2,894	2,889	4.7%	4.6%	-0.2%
Housing loans	13,782	13,190	22.4%	21.0%	-4.3%
Other household loans	8,150	7,656	13.2%	12.2%	-6.1%
Totals	61,516	62,780			2.1%

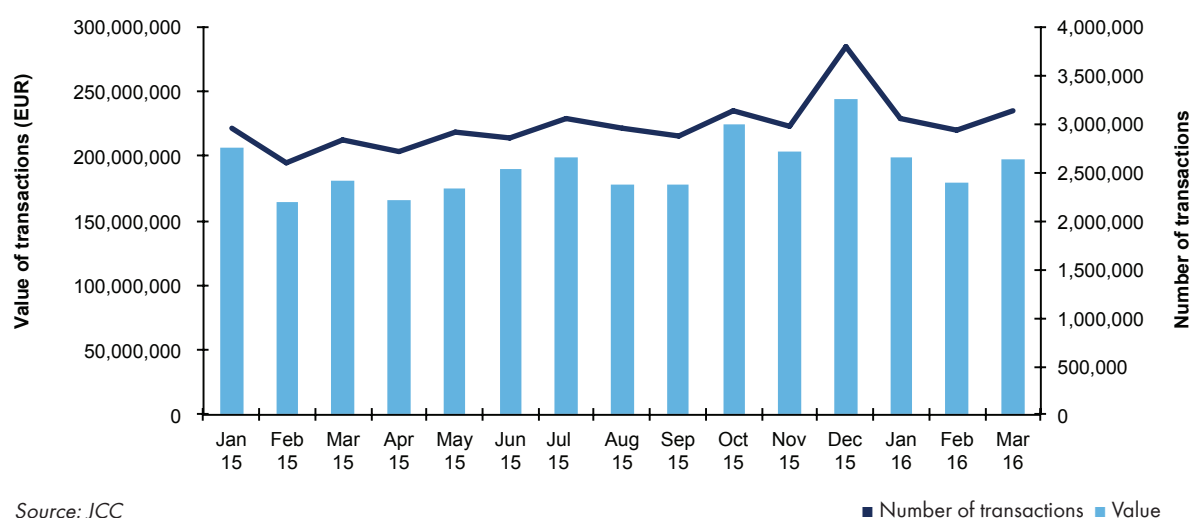
Source: Central Bank of Cyprus

Credit and Debit Card Transactions

During 2015, the total value of card purchases in Cyprus by holders of credit and debit cards issued in Cyprus increased by 2.8% to a total of €2.31 billion (2014: €2.25 billion). Within the year, the total number of transactions increased by 5.5%, while the average value of transactions was €65 per transaction (2014: €66).

During the first quarter of 2016, the total value of transactions increased by 4% compared to the first quarter of 2015.

Card Transactions



Source: JCC

■ Number of transactions ■ Value

4

Year Under Review

Recovery and Resolution of Credit Institutions

The second pillar of the Banking Union relates to the Single Resolution Mechanism, which aims to ensure the orderly resolution of failing credit institutions so as to minimize the impact on the real economy and on public finances. The objectives of the EU Directive EU/2014/59 are to reinforce financial stability and public confidence towards credit institutions, to strengthen protection of depositors and public finances and lastly to improve the functioning of the market for financial services. The provisions of the EU Directive for the recovery and resolution of credit institutions provide unified tools and powers for national authorities to deal effectively with credit institutions that are failing or likely to fail, minimize the negative impact of credit institutions' failures on taxpayers and establish a Resolution Fund financed by the banking sector to provide support for credit institutions under resolution.

In March 2016, the House of Parliament amended current legislation and additionally voted new legislation in order to adopt the EU Directive EU/2014/59. The part of the EU Directive which refers to the recovery of credit institutions has been incorporated through an amendment in the existing «Business of Credit Institutions Law» and through the part referring to resolution in the new «Resolutions of Credit Institutions Law». The new legal framework designates the Central Bank of Cyprus as the Resolution Authority and facilitates the confrontation of possible banking crises on three levels: (1) prevention, (2) early intervention and (3) resolution.

As far as the first level of prevention, credit institutions are obliged to prepare their own Recovery Plans that have to contain measures that the credit institutions would pursue if their economic situation seriously deteriorated. The second level of early intervention provides the Resolution Authority with powers to intervene before the situation of a credit institution deteriorates irreparably. These powers include the implementation of urgent reforms, the establishment of a plan for restructuring of debt with its creditors, the change of management and the appointment of a Special Administrator. The third level of resolution is activated in case the recovery of the credit institution within an appropriate time limit becomes unrealistic and the Resolution Authority considers it necessary to undertake resolution action. The resolution actions include the sale of business, the set-up of a bridge bank to continue the most important functions, the asset separation and, finally, the bail-in which allows the cancellation or conversion or write-down of specific creditors so that losses are borne by the shareholders and creditors and not by taxpayers.

The new legislation provides for a set-up of a Resolution Fund which is funded ex ante by the banking sector. The credit institutions' annual contributions are based on their liabilities (covered deposits) and their risk profile. By 2025 the Resolution Fund will have to reach at least 1% of the covered deposits of all credit institutions. The Resolution Fund can provide temporary support to credit institutions under resolution (in the form of loans, guarantees, asset purchase, capital for bridge bank), compensate shareholders or creditors (if losses under bail-in exceed those that they would have borne under normal insolvency procedures) and absorb losses or recapitalize the credit institution (under specific conditions).

Deposit Guarantee and Resolution of Credit Institutions Scheme

The third pillar of the Banking Union relates to the Deposit Guarantee Scheme which aims to protect depositors in case of failure of a credit institution. The EU Directive EU/2014/49 aims to unify and improve the existing rules on protection of depositors in the EU so as to prevent panic withdrawals of deposits in case a credit institution becomes non-viable.

In February 2016, the House of Representatives enacted the «Deposit Guarantee and Resolution of Credit Institutions Scheme Law» in order to adopt the EU Directive. The Deposit Guarantee Scheme (DGS) reimburses depositors (up to a defined limit) in case their credit institution fails and deposits become unavailable. According to the Regulations, total deposits of all Physical and Legal Persons in the same credit institution, irrespective of the number of accounts and the currency of the deposits, are protected up to an amount of €100,000 per customer per credit institution. For joint accounts, each account holder is covered up to €100,000 after taking into consideration other possible deposits in his/her name. Also, when calculating the reimbursement amount, the liabilities of the customer are taken into consideration through netting.

The new legislation has incorporated some new provisions, in relation to the previous regime, in order to further enhance financial stability. The most important are the following:

- Payout within seven days from the date the deposit has become unavailable
- Members of Professional Pension Schemes/Provident Funds are each covered up to an amount of €100,000
- Deposits from real estate transactions relating to private residence and deposits servicing social purposes are covered up to €50,000 on top of the €100,000 for a period of six months from the date the amount was credited in the beneficiary's account
- Depositors regularly receive detailed information regarding the maximum coverage level, the DGS that their credit institution is a member of and the terms and procedures of pay-out payments

The DGS is funded by the banking sector and specifically the participating credit institutions. The level of these funds should reach an amount of 0.8% of covered deposits by 2024 and the yearly contribution of each credit institution is determined taking into account factors that include its risk profile.

Michalis Kronides
First Senior Advisor

Combating Money Laundering and Terrorist Financing

The Association plays an instrumental role in the process of the review and update of the Anti-Money Laundering Countering Terrorist Financing Regulatory Framework and has developed a close cooperation with the Central Bank of Cyprus and the government towards that end.

As member of the Anti-Money Laundering Committee of the European Banking Federation and the National Advisory Authority for Combating Money Laundering, the Association participated in the consultation process of the Fourth Directive of the European Union 2015/849 /EC.

The Association takes part in the National Risk Assessment in relation to Combating Money Laundering and Terrorist Financing.

1. Fourth Directive of the European Union 2015/849 /EC

The Fourth Directive of the European Union 2015/849 /EC (Fourth EU Directive) came into effect in June 2015 reinforcing existing rules on anti-money laundering and countering terrorist financing. EU countries will have two years to implement the rules contained in the Directive into national laws.

The Fourth EU Directive encompasses a number of important changes:

✓ Risk based approach

- Simplified Due Diligence will not be applied automatically but will be individually assessed,
- Enhanced Due Diligence Scope is broadened,
- Absence of Third Country Equivalence List

✓ Politically Exposed Person- wider definition with the inclusion of domestic PEPs

✓ Introduction of Ultimate Beneficial Owner Registers for Companies and Trusts respectively in every Member State

✓ Extension of Scope

- Inclusion of Tax Crimes in predicate offences
- Coverage of Gambling services
- Coverage of cash payments of Euro 10,000 or more

✓ Reinforcement of sanctioning for non-compliance

✓ Reinforcement of the work of Financial Intelligence Units from different Member States to identify and follow suspicious transfers of money and facilitate the exchange of information

2. Anti-money laundering and counter financing of terrorism regulatory and supervisory framework in Cyprus

The anti-money laundering and counter financing of terrorism regulatory and supervisory framework of Cyprus (AML/CFT framework), in addition to being fully transposed with the requirements of the Third Directive of the European Union 2005/60/EC, the recommendations of the Financial Action Task Force, other international standards and best practices, has also been proactively enhanced with requirements included in the recently enacted Fourth EU Directive. The AML/CFT framework is under revision in order to fully implement the Fourth EU Directive by the implementation date which is June 2017.

The main provisions already in place in the Cyprus AML/CFT framework which are in line with the Fourth EU AML Directive are the following:

✓ Politically Exposed Persons

Domestic PEPs have been included in the definition of PEPs in the Cyprus AML Regulatory along with all the relevant provisions of Enhanced Due Diligence and time limits for PEPs parallel to the ones in the Fourth EU AML Directive.

✓ Extension in Scope

The Cyprus AML Framework includes the extension of scope of the Fourth EU AML Directive to include “providers of gambling services” and not only casinos. The latter has been achieved through certain provisions of the Cyprus Gambling Law.

✓ Inclusion of tax crimes to AML/CFT predicate offences

✓ National Risk Assessments

Cyprus’ National risk assessment is currently under way, with the assistance of the World Bank. This exercise, will enable the identification of any deficiencies in the regulatory framework currently in place for combating money laundering and terrorist financing, but also in the effectiveness of the procedures followed by all stakeholders involved in this effort, aiming at taking corrective action.

3. Proposed Amendments to the Fourth EU Directive

The European Commission is promoting a number of targeted amendments to the Fourth Anti-Money Laundering Directive for the purpose of further preventing the movement of funds and identifying terrorist finance, in the following areas:

- Ensuring a high level of safeguards for financial flows from high risk third countries
- Enhancing the powers of EU Financial Intelligence Units and facilitating their cooperation
- Having centralised national bank and payment account registers or central data retrieval systems in all Member States
- Tackling terrorist financing risks linked to virtual currencies
- Tackling risks linked to anonymous pre-paid instruments

Elena Frixou
Senior Advisor

Auction spaces for the foreclosures of mortgaged real estate

The new framework that sets the procedures of private auctions on behalf of mortgagees has been into force since the end of May 2015 with the publishing of the Regulations on the sale of mortgaged property according to Part VIA of the Transfer and Mortgage law ("Regulations"). The relevant law was voted in September 2014, however, its enforcement was suspended until April 2015 when the Insolvency Law was enacted. The Association was involved in the consultation of both the Law and the Regulations.

Based on the Regulations, the Association announced in January and February 2016 the approved auction spaces for all the districts.

District	Venue
Nicosia	GSP Stadium –Conference Centre Multiple Function Room
Limassol	GSO Cultural Centre, Olympia Athletic Stadium
Larnaca	Ground floor shop, 10 Zakynthou str., 6018 Larnaca
Paphos	5 Char. Kyrilou str., Shop 1, 8250 Empa
Famagusta	Ground floor shop, 42 Agiou Orous str., 5281 Paralimni

The buildings were inspected by representatives of the Land and Registry Department and following this, the Association received notification of approval of the buildings by the Minister of Interior as the designated auction spaces for the five districts.

In order to locate the above spaces, the Association came into contact with the owners of over fifty buildings, while the relevant technical committee of the Association that set the rental terms and conditions, inspected 15 buildings.

Each auction space is over 90 sq.m. and may be divided into two rooms. The auction spaces have seats for attendants as well as an auctioneer's desk, microphone, projector, fax and wi-fi.

The administrator of the auction spaces is G4S Secure Solutions (Cyprus) Ltd which was also selected, following a tender offer, to provide the guarding and security services during the auctions.

The set procedure for the foreclosures is for banks to send the required notices to debtors, informing them of the date, time and location of the foreclosure process. At the same time two property valuers are appointed, one on behalf of the financial institution and one on behalf of the borrower, in order to set the reserve price of the auction.

The Implementation of the Common Reporting Standard in Cyprus

As a result of FATCA implementation, the tax authorities of countries other than the USA have intensified their efforts to combat overseas tax evasion.

At the level of G8 / G20, the Organization for Economic Cooperation and Development (OECD) was asked to develop a world-wide Common Reporting Standard (CRS) aiming at improving international tax compliance and preventing tax evasion through the automatic exchange of information between the countries that implement CRS. The CRS was developed on the basis of the intergovernmental agreement for FATCA implementation (Model 1).

The European Union decided to implement CRS through an amendment of the Directive on Administrative Cooperation in the area of taxation, to include the mandatory automatic exchange of information in taxation between member states (Directive 2014/107/EU). As a result, the CRS will become for EU member states the evolution of the Directive on Savings Taxation.

For the CRS implementation, the Republic of Cyprus has co-signed on October 2014 together with other countries a Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information.

In order to implement CRS, financial institutions in Cyprus (banks, some insurance companies, investment firms) are required to ask information relating to the country of tax residence of new clients, as well as the tax identification number of non-Cyprus tax residents. For pre-existing clients, financial institutions have a set period during which they need to determine, if necessary through self-certifications, whether a client is a non-Cyprus tax resident and, in those cases, his tax identification number.

Subsequently, the financial institutions will submit to the Tax Department information of account holders who are tax residents of other countries that implement CRS. The Tax Department will in turn forward the information to the foreign tax authorities. The information will relate to individuals and entities and consist of, among others, the name and tax identification number of the account holder, the account balance, the income from interest, dividends and other incomes for custodial accounts. The first reporting will occur in 2017 and will cover the year 2016.

The Association participates at the Monitoring Team for the implementation of the OECD's Common Reporting Standard as well as the implementation of the FATCA agreement ("CRS FATCA Monitoring Team") that was set up by the Ministry of Finance. At the sessions of the CRS FATCA Monitoring Team, the Association promotes the positions of its members for a smooth implementation of the aforementioned measures for the automatic exchange of information. The Association has submitted comments for the formation of the Decree that implements CRS as from January 2016. In addition, the Association participated in the consultation for the Law implementing Directive 2014/107/EU. Through an announcement, the Association informed customers of its members about the CRS and its implementation in Cyprus. The Association is preparing a seminar for its members to address practical difficulties in the completion and processing of client documents for CRS purposes.

Implementation of Intergovernmental Agreement of Cyprus – USA for FATCA

The year 2015 was the first year that the Republic of Cyprus, implementing the agreement signed with the USA on December 2014 ("Agreement to Improve International Tax Compliance and to Implement FATCA"), sent to the US tax authorities within the specified deadline the information submitted by the Cyprus financial institutions for 2014.

The aim of the agreement is the combating of offshore tax evasion through the exchange of information between the two countries. All authorized financial institutions and other financial organizations in Cyprus are obliged to follow certain procedures to identify and report to the Tax Department accounts held by US persons.

The banks through the Association, were actively involved in the consultations for the Decree which was enacted in August 2015 to implement the Agreement, and submitted within the specified timeframe all the required records to the Tax Department. Additionally, the Association successfully promoted amendments to the Assessment and Collection of Taxes law in order for FATCA to be implemented.

To date the Republic of Cyprus is in compliance with all the terms set by the Intergovernmental Agreement, as all the required information was submitted to the US tax authorities and all the supplementary agreements and notifications were signed (Competent Authority Agreement and Notification of completion of internal procedures).

Christina Antoniou Pierides
Senior Advisor

Creation of a finance-facilitating Mechanism for SMEs

The Association, in co-operation with its members and the Ministry of Energy, Commerce, Industry and Tourism (MECIT) have created a Mechanism which will enable SMEs that have been approved for the receipt of grants (through Schemes adopted by the MECIT), to increase their chances of receiving banking finance. The latter is provided in order to enable businesses to complete the investment proposal on which MECIT's grant was offered. It should be noted that the provisions of the Mechanism are not binding for banks, as the final financing decision will depend on each bank's separate criteria and parameters.

The Mechanism was created by an Ad Hoc Committee formed at the Association, which is comprised of bank representatives and government officials. Apart from the banks' commitment to improve the financing probabilities of the aforementioned businesses, the Mechanism is comprised of an informative document which describes the Mechanism's main provisions and steps, as well as a sample of a "Funds Transfer Notification". Through the said Notification, the MECIT will be authorized to transfer the installments of the approved grant into the customers' loan account, thereby ensuring the prompt repayment of the loan.

The Mechanism will be put into practice before the summer of 2016. Its adoption will enable businesses that have liquidity shortages to complete their investment projects and thereby contribute towards boosting the country's economy and growth.

Electronic Payments

Over the last year, the Association's Payments / SEPA Committee has conducted a series of meetings in order to achieve bank compliance with the provisions of European Regulations, Directives and other EU guidelines that are related to electronic payments.

In particular, compliance was achieved on the European Banking Authority's "Guidelines on the Security of Internet Payments" with deadlines in August 2015 and August 2016 (for two excepted provisions), on the Regulation concerning "Interchange Fees for Card Payments" with a deadline in September 2015, and on two specific provisions included in the Regulation for the "SEPA end-date", with a deadline in February 2016.

In addition, a working group comprised of Payments / SEPA Committee representatives is currently examining the provisions of the "European Directive for Payment Services in the Internal Market", otherwise known as "Payments Services Directive 2". The said Directive (which is a follow-up of the Payments Services Directive 1), must be transposed into domestic legislation by December 2017.

Amendment of the Bank Account Switching Code

The Bank Account Switching Code (the "Code") is an amendment of the existing, voluntary Switching Code issued by the Association in 2009. The amended Code was prepared in order to make banks compliant with the provisions of the European Directive 2014/92/EE (Payment Accounts Directive - PAD). According to the relevant provision of the PAD, all member states must ensure that banks offer efficient bank account switching services, of same-currency payment accounts, to any physical person holding a payment account, within the jurisdiction of an EU country. In view of the above, the Association and its members amended the Code according to PAD's provisions and submitted the completed Code to the Central Bank for information purposes.

According to the Code's provisions, both the Sending Bank (i.e. the bank from which the account is transferred) as well as the Receiving Bank (i.e. the bank to which the account is transferred) must follow a set of rules and obligations in order to achieve an efficient and timely switch. The Code also contains a number of steps and sample documents that must be followed/competed by the relevant stakeholders (i.e. the customer, the Sending Bank and the Receiving Bank), in order to complete the switching process within the time limits set by the PAD.

Marios Nicolaou
Senior Advisor

New Legal Framework for Sale of Loans: The Sale of Credit Facilities and Related Matters Law of 2015

Until the enactment of this Law, sale of loans was possible and done under the principle of equitable assignment. The purpose of the new Law is to regulate the acquiring of credit facilities in the Republic and in parallel provide some reassurance to the underlying debtors (mainly natural persons and micro, small and medium-sized enterprises) that their loans shall not be passed to predatory hedge funds. The Law is implementing an obligation under the MoU between Troika and the Republic of Cyprus. It was published in the Official Gazette on the 27th of November 2015. An additional MoU implementing Bill on the Securitization of Loans is still being drafted by the Central Bank of Cyprus.

i.Scope:

This Law applies to:

- (a) credit facilities granted to natural persons where the total balance of the credit facilities to that natural person, at the time of the transfer, for every Credit Institution, does not exceed one million euro (€1,000,000); and
- (b) credit facilities granted to micro and small enterprises as these are defined in the European Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC) where the total balance of the credit facilities to that enterprise or group of connected enterprises, at the time of the transfer, for every Credit Institution, does not exceed one million euro (€1,000,000).

Loans exceeding one million euro at the time of transfer of the loan and loans of any amount to big entities (not classified as micro, small or medium enterprises) may be sold freely to any party without having to follow the procedure set out in the Law. The only obligation in these cases is to provide notification of the intended sale to the underlying debtor (see under point iii further below).

Loans from non-credit institutions do not fall under the ambit of this Law. It is noted that the provision of credit in Cyprus does not require authorization, hence any natural or legal person may offer credit, which may in turn be sold freely, under the principle of equitable assignment.

ii. Permitted acquirers:

Under the Law only certain legal persons are permitted to acquire credit facilities of Cypriot Credit Institutions. These are the following:

- (a) a credit acquiring company that is incorporated in the Republic and to which an authorization has been granted by the Central Bank of Cyprus, by virtue of this Law. This is a new category of licensed entity. Any investors wishing to acquire loans of Cypriot banks, shall need to establish presence in Cyprus and obtain a license from the Central Bank of Cyprus.
- (b) an authorized credit institution in Cyprus;
- (c) a credit institution that is authorized and supervised by the competent authority of another member state, that has the right to provide services or to establish a branch in Cyprus;
- (d) a financial institution, which is a subsidiary of a credit institution incorporated in a member state and which provides its services in Cyprus or operates in Cyprus through a branch.

iii. Notification of intention to Sell:

While the relevant draft Law was being discussed before the Parliamentary Committee, a rather unusual provision was added, under which prior to the selling of whole or part of its credit facilities, a credit institution shall have the obligation to notify its intention to sell or dispose the whole or part of its portfolio of credit facilities to the borrower and the guarantors.

The Notification may be done either via publication in the Official Gazette of the Republic and in three daily newspapers or via letter directly to the borrowers and the guarantors.

After the notification the borrowers and guarantors, if they so wish, may submit, within a period of forty-five days (45), a proposal to purchase the credit facility under sale. The proposal for acquiring the credit facility under sale is submitted only once by the borrower and in case such a proposal is not submitted within the time period of forty-five days (45), then it is assumed that the borrower does not wish to submit a proposal.

iv. Regulatory Matters

The New Law includes provision for the authorization requirements and procedure of credit acquiring companies, their regulation and the revocation and cancellation of a license.

Dr. Demetra Valianti Plati
Senior Advisor

IT Fraud-Cybercrime Committee

The EBF places great importance on issues of cybercrime and IT Fraud. Recognizing this, the Association and its members follow closely developments on these issues, especially the trends that might affect banks in Cyprus. Such a trend was the threat against banks in Greece in early December 2015, from the group Armada Collective. Similar attacks also took place against other banks in Europe.

The Association, echoing members' requests and acting proactively, took the initiative and in co-operation with the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) called a meeting of all interested parties (banks, Central Bank of Cyprus, internet service providers, police) to discuss the issue and the possible responses on such attacks. In addition to the issue at hand, the participants also discussed the possibility of exchanging information regarding cyber-threats and cyberattacks. It was agreed that the OCECPR and the Central Bank will discuss the issue and propose alternatives on how to best tackle such issues.

New Department at the Association offering services on Human Resources and Training

Following the decision of the Board of Directors of the Cyprus Bankers Employers' Association (KEST) to wind down KEST, the Board of Directors of the Association of Cyprus Banks (ACB), recognizing the accumulated experience and know-how of the personnel and the wealth of information in the archives of KEST going back to the 1960s, has decided to form a new department at the Association offering services to the members of the Association on human resources issues, training and labour relations.

In addition, the new department will facilitate the coordination and information exchange between members of the Association in matters related to labour legislation and regulations and / or collective agreements.

The department will also collect data and prepare a number of surveys regarding the following:

- a) An overview of employment figures in the banking sector (information on demographic variables, academic and professional qualifications of bank employees, etc.)
- b) A report on selected items of bank employees' salaries and salary structure
- c) A report on the annual sick leave days in the banking sector

These surveys will be made available to the members of the Association and upon request to the EBF, and to other national banking associations.

54th, 55th, and 56th EBF-BCESA Meetings

The Director General, Dr. Kammas and Senior Advisor, Dr. Rossides, represented the Association to the above meetings of the European Banking Federation –Banking Committee for European Social Affairs (EBF-BCESA). The committee agreed on a common text with UNI Europa-Finance, on the Lifelong Learning (LLL) project conclusions and recommendations. The statement on the conclusions and recommendations of the LLL project was signed on the 6th of November 2015.

In addition, the committee continued its work on the common project on the "impact of the banking regulations on employment". This project is done with the co-operation of the European employers' associations of the banking sector, namely the Banking Committee for European Social Affairs of the European Banking Federation (EBF-BCESA), the European Association of Cooperative Banks (EACB) and the European Savings Banks Group (ESBG) and of UNI Europa-Finance. The aim is to submit the project for funding to the European Commission (DG EMPL) by June 2016. The project will start with a mapping exercise to gather data that will help the social partners to have an overview of the employment picture and trends in the European banking sector and to decide on how to proceed with the second phase of the project.

Dr. Yiannos Rossides
Senior Advisor

Financial education: Cyprus Pilots a New Programme in Primary Schools

The financial education programme “More than Money” was launched during 2016 in primary schools across Cyprus, based on the initiative of the Association of Cyprus Banks and its member banks. The programme is implemented by the organization Junior Achievement (Cyprus), following the approval of the Ministry of Education and Culture. This is a three-year programme (2016-2018) and is financed by the member banks of the Association.

“More than Money” aims at familiarising primary school students with concepts related to money management, such as income, expenses and savings. Through the program, students learn to understand the role of money in their everyday life and in society in general, explore their professional skills and interests, and combine these skills with possible future jobs. The program includes practical applications through the aid of two creative games, which educate students on how to become ‘smart consumers’ and how to operate in the environment of a small business model, which they create themselves. Within the above games, they learn to strengthen their skills on decision-making and problem-solving regarding their financial future, acting both as consumers and small entrepreneurs.

During February – March 2016, the Programme was incorporated in the module on health education and was applied in five primary schools. Two hundred twelve-year old students participated, under the guidance of 14 class teachers and 6 volunteer mentors from member banks of the Association.

The Association’s long-term goal is the introduction of such educational schemes to even more private and public schools all over Cyprus. Financial education is currently being implemented in all Member States, either through national practices or private initiatives and furthermore, in many European countries, financial education has been incorporated into school curriculums. Financial education should gradually become one of the main pillars of education at all school levels in Cyprus as well. At the same time, financial education must be regarded as a lifelong pursuit, starting at home with parents educating their young children about basic money concepts and their use in everyday life.

Maria Ioannou
Senior Advisor



Artemis Bank Information Systems Ltd

The year 2015 was a year of consolidation in the operations of Artemis Banking Information Systems Ltd ("Artemis") as the company further developed its infrastructure and services with an aim to increase the efficiency in the servicing of banks and the public but also to ensure compliance with legal and regulatory obligations of the company towards the Central Bank of Cyprus.

Today, Artemis serves successfully all Authorized Credit Institutions which are under the supervision of the Central Bank of Cyprus, whether domestic or international and which are operating in Cyprus through subsidiaries or branches. Overall, thirty-one (31) banks are members of Artemis, submitting and receiving economic behavior data for the purpose of customers' creditworthiness assessment. The Artemis Database contains full positive and negative banking data i.e. performing credit facilities, non performing credit facilities, terminated accounts of credit facilities and legal measures (lawsuits, court judgments) against customers of credit institutions failing to meet the obligations towards credit facilities obtained. It also includes information on issuers of dishonoured cheques of the Central Information Registry of the Central Bank of Cyprus, bankruptcies and dissolutions of companies. The breadth of these data categories places Artemis favorably compared to other credit bureaus at the European level regarding the completeness of data.

Under a relevant permit granted from the Office of the Commissioner for Personal Data Protection, the Artemis Database is electronically interconnected with the "Aiantas" Database which is the equivalent database of Cooperative Societies and which contains information from all cooperative credit institutions. In this way, the user of the Artemis system has access to information relating to the whole (100%) of the banking market, making the evaluation of the customer's creditworthiness more comprehensive and efficient.

One of the major achievements in 2015 was the timely implementation of the updated Directive of the Central Bank of Cyprus for the Central Credit Register, issued in June 2015. In specific, the Directive cited August 31, 2015 as the implementation date and although the involved parties, i.e. Data Exchange Mechanisms and credit institutions, had only few months available for the implementation of the updated Directive, the goal of timely implementation was achieved.

The objective of timely implementation of the Directive was met through the harmonious cooperation of all parties involved: the Central Bank of Cyprus, the banks, the cooperative credit institutions, the Data Exchange Mechanisms "Artemis" and "Aiantas" and the companies which undertook the development of the project's technical infrastructure i.e. the Cooperative Computer Society (SEM) for Aiantas and JCC Payment Systems Ltd as the subcontractor of Artemis on technical issues.

Another important achievement for Artemis, which has a wider impact nationally, was the positive shift by two (2) points of Cyprus in the “Getting Credit - Depth of credit information” index due to the addition in the Artemis Database of positive data (performing facilities) and historical data for credit facilities that were repaid or settled. The specific index is part of the “Doing Business” report of the World Bank. As a result of the positive shift, Cyprus scores today six (6) points from a possible sum of eight (8) points in the specific index.

As a credit bureau, Artemis recognizes the importance of the principle “Better data = Better decisions”. Therefore, at the operational level, Artemis, in cooperation with the member banks and the Central Bank of Cyprus, is working on a systematic basis to further improve the data quality in its Database regarding the information provided by the Banks. More specific, data update validation checks are applied during the banking data import process while additional data validation checks are performed for data completeness purposes.

At the same time, Artemis, being fully aware of the importance of its mission and the responsibility undertaken, places high importance on the protection and respect of individual rights and provides efficient service to the public with regards to the provision of information held in the Central Credit Register. The company complies fully with the provisions of the “Processing of Personal Data (Protection of Individuals)” Laws and follows strictly the relevant instructions of the Office of the Commissioner for Personal Data Protection.

At the macroeconomic level, the operation of the Artemis Reporting System, and in extend of the Central Credit Register, has positive impact on the further enhancement, modernization and evolution of the local banking system and consequently to the ongoing smoothening of the functioning of the Cyprus economy.

The Association’s Training activities

The “New Insolvency Legal Framework ” and the new law in relation to “Foreclosure of Mortgaged Property” were the key issues for the Training Department of the Association during 2015. The Association conducted a large number of seminars during the months of June, July, September and October. A total number of 41 seminars were held and covered the training needs of banks in the Districts of Nicosia, Larnaca, Famagusta, Limassol and Paphos on the new insolvency and foreclosure framework.

In 2016 the Association for the first time held a seminar / workshop designed for the training needs of Members of the Boards of Directors of banking institutions. The Board Members’ response was very positive and they indicated great interest in proposals / recommendations by the Association to organize future seminars at the Board level. The Association’s aim is to provide the Members of the Board of Directors with the best possible information and training, both on the domestic and the European financial sector.

Within the framework of the continuous professional training of persons in the public register (CYSEC certification), the Association held a series of seminars during the year 2015. The seminars covered issues relating to legislation of the Cyprus Securities and Exchange Commission and the aim of the Association is to continue organizing such seminars in order to enable bank employees to maintain their relevant certifications.

During June 2015 - May 2016 the Association delivered a total of 52 seminars. Vocational education and continuous training of staff members of the banks is an essential objective of the Association for the coming year, thus contributing to their briefing on economic developments, constant changes and new requirements in the financial sector.

Publications

The Association of Cyprus Banks publishes the monthly Newsletter and the 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 and organizations concerning the discussion of matters relating to the banking sector, the European Banking Federation Committee meetings where the Association's representatives 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 Association

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 European or 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-Chairmen: The Association's Chairman is appointed yearly on a rotation basis by the Board of Directors. This position is filled by Board Members appointed by the four largest member banks (according to the total number of employees). There are three Vice-Chairmen, whereby one Vice-Chairman is the Board Member of the largest member bank (or the second-largest, in the years that the Board Member of the largest member is appointed Chairman), and two Vice-Chairmen who are assigned yearly out of the remaining Board Members.

Executive Committee: The Chairman and three Vice-Chairmen together with the Director General, form the Executive Committee. The Executive Committee decides on pressing matters that require urgent response, represents the Association in meetings with government officials and institutions and implements the general policy, as defined by the Board of Directors.

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. The Director General is a non-voting member of the Executive Committee.


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

1. **Legal Committee**
2. **Banking Regulation and Supervision Committee**
3. **AML and Regulatory Compliance Committee**
4. **Financial Markets Committee**
5. **Retail & Consumer Affairs Committee**
6. **Accounts & Fiscal Committee**
7. **Organization & Methods Committee**
8. **Internal Audit Committee**
9. **Payments - SEPA Committee**
10. **HR and Training Committee**

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 PUBLIC COMPANY LTD Number of branches: 130 Number of ATM: 165 Number of employees: 4,043 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: 56 Number of ATM: 69 Number of employees: 1,430 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: 24 Number of ATM: 28 Number of employees: 876 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 (CYPRUS)**

NATIONAL BANK OF GREECE (CYPRUS) LTD

Number of branches: 9
Number of ATM: 13
Number of employees: 248
Head Office: 15, Arc. Makarios III Avenue, 1065 Nicosia
P.O.Box 21191, 1597 Nicosia
Tel.: 22040000, Fax: 22840010, www.nbg.com.cy



USB BANK PLC

Number of branches: 14
Number of ATM: 18
Number of employees: 234
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: 104
Head Office: 50 Arch. Makarios 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: 5
Number of employees: 110
Head Office: 20 Ayias Paraskevis Str., 2002 Strovolos,
P.O. Box 25400, 1309 Nicosia
Tel: 80007777, Fax: 22399700,
www.sgbcy.com



PIRAEUS BANK (CYPRUS) LTD

Number of branches: 13
Number of ATM: 13
Number of employees: 292
Head Office: 1 Spyrou Kyprianou Avenue, 1065 Nicosia
P.O.Box 25700, 1393 Nicosia
Tel: 800 11 800 (24 hours), Fax: 22760890,
www.piraeusbank.com.cy



EUROBANK CYPRUS LTD

Number of branches: 8
Number of ATM: 0
Number of employees: 254
Head Office: 41 Arch. Makariou III Ave., 1065 Nicosia
Tel: 22208000, Fax: 22776722,
www.eurobank.com.cy



RCB BANK LTD

Number of branches: 6
Number of ATM: 6
Number of employees: 253
Head Office: 2 Amathuntos Street, 3105 Limassol,
P.O.Box 56868, 3310 Limassol
Tel: 25837300, Fax: 25342192,
www.rcbcy.com



COOPERATIVE CENTRAL BANK LTD

Number of branches: 1
Number of ATM: 2
Number of employees: 355
Head Office: 8, Gregoris Afxentiou Str. 1096 Nicosia,
P.O.Box 24537, 1389 Nicosia
Tel: 22743000, Fax: 22670261,
www.ccb.coop.com.cy



ANCORIA BANK

Number of branches: 1
Number of ATM: 0
Number of employees: 57
Head Office: 12 Demostheni Severi Avenue, 1080 Nicosia
P.O.Box 23418, 1683 Nicosia,
Tel: 22849000, Fax: 22849110,
www.ancoriabank.com

Associate Members

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. FIRST INVESTMENT BANK LTD
14. JORDAN AHLI BANK PLC
15. JORDAN KUWAIT BANK PLC
16. IBL BANK SA
17. LEBANON & GULF BANK SA
18. OPEN JOINT-STOCK

- COMPANY AVTOVAZBANK
19. OJSC PROMSVYAZBANK
20. PRIVATBANK COMMERCIAL BANK
21. RUSSIAN COMMERCIAL BANK (CYPRUS) LTD
22. SOCIETE GENERALE (CYPRUS)

Association's Events and Milestones in 2015 & 2016

June 2015	Cyprus Banking Insight –Publication No. 12
8 June 2015	Seminar: «Cybercrime and Online Banking Security»
12 June 2015	Seminar: «CRD IV/CRR: The European Approach of Basel III»
17 June 2015	Annual General Meeting of the Association of Cyprus Banks
June 2015	Seminars: «New Insolvency Legal Framework» and «Foreclosure of Mortgaged Property»
July 2015	Seminars: «New Insolvency Legal Framework» and «Foreclosure of Mortgaged Property»
28 August 2015	Mr. Michael Kamas participated in the «Secretary Generals Meeting for Regional Banking Associations», which was organized by the Union of Arab Banks in Beirut
24 September 2015	Seminar: «Security against armed robbery» for Ancoria Bank
28 September 2015	The Association participated in the seminar “Arab – Regional Alliance against Money Laundering and Terrorist Financing” organized in Cyprus by the Union of Arab Banks with the support of CBC –Introduction by Mr. Kamas and presentation by Ms. Frixou
September 2015	Seminars: «New Insolvency Legal Framework» and «Foreclosure of Mortgaged Property»
20 October 2015	Seminar: “Analysis of the Transparency Law” (regarding CySEC certification)
27 October 2015	Seminar: “The New Legal framework of Collective Investments (AIFs) and analysis of depositary duties under UCITS and AIFM” (regarding CySEC certification)
October 2015	Seminars: «New Insolvency Legal Framework» and «Foreclosure of Mortgaged Property»
10 November 2015	Seminar: “Market Abuse Law and Appropriateness and Suitability Test” (regarding the continuous professional training requirements of persons in the public register – CySEC certification)
17 November 2015	Seminar: “Anti-Money Laundering Law and Compliance Function” (regarding CySEC certification)
24 November 2015	Seminar: “MiFID II & MIFIR” (regarding CySEC certification)
26 & 27 November 2015	Seminar: «Credit Scoring & Quantitative Lending Techniques»
3 December 2015	3rd Cyprus Banking Forum –Organized in association with IMH and Gold Magazine
9 December 2015	The Association participated in “The Compliance Forum” where Ms. Elena Frixou gave a presentation
10 December 2015	Press conference –the Association together with Junior Achievement Cyprus presented the financial education program: “More than Money”
8 February – 18 March 2016	The Association together with Junior Achievement Cyprus conducted the program “More than Money” in elementary schools in Cyprus
15 & 16 February 2016	Seminar: «Managing Operational Risk and the importance of RCSA (Risk Control Self-Assessment)»
19 February 2016	The Association participated in the Cyprus-Lebanese Business Forum, where Mr. Kronides gave a presentation.
16 March 2016	Seminar: «The way to customer service»
21 March 2016	Seminar: «The Evolving Banking Regulatory Landscape in Europe»
23 May 2016	Presentation on CRS (Common Reporting Standard) implementation

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CYPRUS BANKS

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