

Group Customer Acceptance Policy

1. Purpose

The purpose of this Policy is to provide guidance and clarity on customer acceptance and to ensure compliance with all applicable legal and regulatory requirements. All Group Entities must, as a minimum, meet the requirements of this Policy. In any country where the requirements of applicable law(s), directives or practices establish a higher standard, Group Entities must meet those standards.

2. Sectors Affected

The Policy applies to all Group Entities.

All Group entities must, as a minimum, meet the requirements set out in this Policy. In any country where the requirements of applicable law(s), directives or practices establish a higher standard, Group Entities must meet those standards. In the case where current local laws are in conflict with this policy, the respective local Compliance/Anti Money Laundering (AML) Unit must liaise with the Money Laundering Compliance Officer (MLCO) of the parent company of the Group, so as to resolve the issue.

All Group subsidiaries and branches abroad are expected to enact in their own internal systems equivalent procedures. Corresponding Group functions have the responsibility for coordinating the application of the framework across the Group, in accordance with established reporting lines.

3. Policy

The evaluation of a customer's risk is fundamental to the Group's effort to prevent and suppress money laundering, terrorist financing and other illegal activities.

The Bank reserves its right to deny the establishment of any business relationship with a person (physical and/or legal) assessed to be captured within the groups of customers described above or indeed if for any reason the Bank is uncomfortable with the establishment of a business relationship.

The Group has defined:

- (i) A list of persons (physical and/or legal), accounts or transactions that are not accepted by the Group,
- (ii) A list of persons classified as High Risk Customers (physical and/or legal).
- (iii) A list of persons classified as Significant Risk Customers (physical and/or legal).
- (iv) A list of conditions under which a business relationship with an existing client must be terminated.

Furthermore, the Group has also set the criteria for establishing a new business relationship, which is in accordance with its Risk Appetite Assessment for zero tolerance for Money Laundering (ML)/Terrorism Financing (TF) risk.

Therefore, the Bank establishes a business relationship with a customer who:

- Does not fall in the list of persons (physical and/or legal) not accepted by the Group
- Does not require the opening of an account or the execution of transactions that are not accepted by the Group
- Has not been previously rejected for establishing a business relationship with the Bank, for reasons which continue to exist.
- Has not previously been a client of the Bank and whose business relationship was terminated, for reasons which continue to exist.

3(i) List of Persons (physical and/or legal), accounts, or transactions not accepted by the Group

The Group has decided that the risk associated with certain groups of customers is unacceptably high and has therefore decided to preclude such customers from establishing a business relationship with the Group. In the case of vendors, the same principles apply. Apart from the requirements of the Law and the Directive, the Bank, as part of its Risk Appetite Assessment, has included in this category other types of customers based on their Money Laundering / Terrorism Financing risk. Specifically, the Group prohibits the establishment of a business relationship with a person (physical and/or legal), that:

1. Carries out illegal activities (such as human trafficking, drug dealing, fraud, etc.)
2. Is convicted for a crime included in the predicate offences
3. Is an organisation undertaking military missions, i.e. mercenary missions
4. Is an online casino or an online pharmacy
5. Is dealing with Dating or Adult Entertainment
6. Is involved in fortune telling, medium activities
7. Is an issuer or dealer of Virtual Currency (e.g. Bitcoin) or involved in converting traditional currency in virtual currency or vice versa or provides related services (software providers, payment processing services, card acquirers)
8. Fails to provide adequate identification information or disclose its economic operations
9. Is a shell bank or a bank which deals with shell banks or a shell company
10. Is a terrorist or deals with terrorist activities (such as financing terrorist activities etc.)
11. Requests to have accounts in the name of anonymous or fictitious persons or accounts (including secret accounts and numbered accounts) or accounts that do not bear the complete name of the beneficiary as shown in the identification documents of the customer.

12. Is from a political regime not recognized by the United Nations
13. Is subject to specific sanctions (i.e. EU, UN, OFAC, local lists), including close family members and close associates
14. Is a customer connected to North Korea, as per Sanctions Policy, Appx.3
15. Is a customer connected to Iran, with the exception of individuals with an Iranian passport whose permanent residence is in an EEA country or a Third equivalent country
16. Is a customer who falls in the following categories:
 - Is a Non-face to face customer¹ from,
 - Is a customer with bearer shares or has a provision to issue bearer shares from,
 - Is a Politically Exposed Person (PEP) from,
 - Is a trust established in,
 - Is a Foundation for business or private purposes registered in,
 - Is a Correspondent Bank regulated by,

a country subject to strict sanctions by the EU, UN and OFAC (as per the Bank's Group Sanctions Policy, Appendices 2 & 3) or countries considered by FATF or Moneyval as high risk or not cooperative jurisdictions or countries considered by EU Commission as high risk with strategic deficiencies (relevant reference is posted in the Portal).
17. Is a customer with bearer shares and the bearer shares certificate is not kept under custody by a reputable Financial Institution regulated in EEA/3rd equivalent countries or a reputable Accounting / Auditing / Law / Fiduciary Firm subject to mandatory professional registration and regulated in EEA/3rd equivalent countries or by an approved introducer of our Bank.
18. Is a PEP, for whom the source of wealth cannot be determined or the reasoning of establishing a business relationship is not clear.

Note: A **politically exposed person**

(**PEP**) is defined by the Financial Action Task Force (FATF) as an individual who is, or has been, entrusted with a prominent public function and can either be foreign or domestic, including their immediate family members and persons known to be their close associates.

Where a person has ceased to be entrusted with a prominent public function for a period of **at least one year**, the bank shall not be obliged to consider such a person as politically exposed.

19. Is a trust which:
 - Is governed by the Cyprus Legal framework but is not registered in the Cyprus Register of Trusts, or
 - Its ultimate beneficial owners are not determined (discretionary trust)

¹ Customers met in person within the Group do not fall in the non-face-to-face category

- Whose purpose is not compatible with the business activity/economic profile of the account holder, or there is no legitimate economic reason for its establishment.
20. Is a Correspondent Bank which:
- Is not regulated, or
 - Is regulated outside EEA or 3rd equivalent countries, and for which an investigation for AML/CTF purposes has been conducted or is in progress by the authorities of the country of incorporation or origin, or on which significant fines/sanctions have been imposed by the local authorities (FIU, Regulator)
 - Does not apply adequate AML procedures/measures, or
 - Does not have a policy that covers the monitoring of the business relationship with PEPs or
 - There is a strong belief that the correspondent bank is involved in money laundering
21. In addition to the above:
- A Banking Institution may maintain an account with a branch other than the Correspondent Banking Unit, only if such an account is utilized solely for business needs (e.g. payment of expenses)
 - The Bank will not accept the opening of Nested Accounts.
 - The Bank will not accept the opening of Payable-through-accounts.
 - The Bank will only provide Downstream Correspondent Clearing Services in Euro to beneficiaries of accounts in the Banking Institutions registered in Cyprus and regulated by Central Bank of Cyprus and also for Group's subsidiaries
22. Operates in the following high risk industries and is not regulated/registered by an EEA country or a third equivalent country: (a) Casinos, (b) Betting Houses, (c) Prize Competitions, (d) Gambling/Betting online related services² (software providers, payment processing services, card acquirers), (e) Financial Services, Investment Firms, or Brokerage Firms or its license has been withdrawn, (f) Banking or Insurance Institutions (g) Precious metals/stones³, (h) Pawn shops and (i) Trading of art collection
23. Is a Payment Institution and Electronic Money Institution (MSB) (including MSB providing Money Transmission Services and Currency Exchange Services) which is not regulated by an EEA country or a third equivalent country.

² If the online gambling company they are cooperating / associated with, is not regulated by an EEA country or 3rd equivalent country.

³ Conglomerate/well established companies (substantiated through independent sources) that are in the mining/exploration of gold and other precious metals industries from countries outside EEA/3rd equivalent can be accepted and treated as high risk customers

Generally, MSBs regulated in an EEA or a third equivalent country can open corporate accounts only to be utilized solely for the processing of administration expenses.

Exceptionally, for a limited selective list of clients, a client account may be opened in any of the following cases:

- For MSBs whose activities are limited to the transmission of funds for physical persons serviced in Cyprus.
 - The AML Risk assessed is considered low based on the client's business profile and provided that no restrictions are imposed by our major correspondent banks.
24. Is an Online Gambling company which is not regulated by an EEA country or a third equivalent country. Additionally, Online Gambling companies are not permitted to open client accounts. The above entities will only be accepted for the opening of corporate accounts, to be utilized solely for the processing of administration expenses
 25. Is an entity operating in the production and/or wholesale trading of nuclear related raw materials, products and services.
 26. Is a binary option services provider
 27. Is a fund (regulated or not) whose investment manager or advisor or custodian / depositary (who exercises apparent management and control) is regulated outside the EEA or third equivalent country
 28. Is a non-profit organization / charity or foundation for charity purposes, which is either:
 - not registered in Cyprus or EEA or third equivalent country, or
 - registered in Cyprus or EEA with charitable purpose but the majority of its donators/sponsors are not from the country of registration
 29. Is a foreign government organization outside the EEA and there is no reasonable ground/business justification for establishing such a business relationship.
 30. Is an organisation providing armed security services, that is not licenced/regulated by an EEA or third equivalent country or its licence has been withdrawn
 31. Entities operating in the defense/arms/military industry which are not licensed or are licensed outside the EEA or third equivalent country.
 32. A credit acquiring company, including an asset management company, whose activities relate to the acquisition of credit facilities from credit institutions, and which is not appropriately licensed from the relevant Regulatory Body of an EEA or a Third equivalent country.
 33. Is introduced by a Professional Intermediary who:
 - Is not subject to mandatory professional registration, recognized by law, or
 - Is regulated outside the EEA or third equivalent countries, or
 - Is regulated within the EEA or third equivalent countries but is not approved by the MLCO,
 - Relies on a series of more than one associate for the customer identification.

34. Is a legal entity with a complex structure, where there is no transparent and legitimate economic reason for its complexity
35. Additionally, the following accounts and transactions are not accepted:
- Fiduciary Deposits from credit institutions regulated outside EEA or Third Equivalent Countries.
 - Omnibus accounts (concentration accounts)
 - The opening of accounts or the execution of transactions related to close family members, close associates or related entities (irrespective of % of ownership) of Specially Designated Nationals.
 - The opening of a Client account by a professional rejected by the MLCO,
 - For persons connected with countries subject to strict sanctions / restrictive measures (as per the Bank's Sanctions Policy, Appendices 2&3), the following is strictly prohibited:
 - The opening of accounts in USD
 - Effecting transactions in USD
 - Effecting any transactions using a US correspondent bank that involve these countries or any person connected with them
 - Transactions in USD or CAD are strictly prohibited, regardless if the customer operates in or is regulated by an EEA country or third equivalent country or not, for:
 - Online gambling
 - Gambling online related services (software providers, payment processing services, card acquirers)
 - The processing of wire transfers in USD to / from Latvia is prohibited.
 - The processing of wire transfers (interbank or to/from other Banks) relating to third party lending / assignment of loans and any other similar types of financing, between parties who do not belong to the same group of companies and where the main activities of the party lending the money are not related to the financial sector, with the exception referred to in Paragraph 3(ii).
 - The processing of wire transfers (interbank or to/from other Banks) relating to transactions which represent financing in the form of promissory notes.
 - The processing of wire transfers relating to intra-group loans / assignment of loans and any other similar types of financing between entities which are included in the Sectoral Sanctions List (SSI List) in any currency are strictly prohibited.
 - The processing of wire transfers relating to consultancy services where there is no adequate information/appropriate documentation regarding the professional expertise of the consultant, the reasonableness/adequacy of the agreement between the parties, as well as the reasonableness of the fee.
 - Transactions relating to the buying or selling of virtual currency.

- The undertaking of transactions with customers in countries included in the Appendices of the Group Sanctions Policy that can create credit exposure⁴ to the Bank.

Important Note: Holding/other companies belonging to a Group involved in any non-accepted activity as described above, are also not accepted, with the exception of customers operating in the industries described in 21 (f). In such a case, all entities in the Group are treated as High Risk.

3(ii) List of High Risk customers (physical and/or legal)

Important Note: Below customers are only accepted if they fall outside the non-acceptance criteria stated in list 3(i) above.

The following categories of customers are designated either by the Law or the Directive of the Central Bank of Cyprus as high risk and, therefore, the Group is obliged, apart from normal customer identification and due diligence measures set out in the Law and the Directive, to perform enhanced due diligence measures, as well as on-going monitoring of accounts and transactions

1. Non-face to face customers
2. Accounts in the name of companies whose shares are in the form of bearer
3. Trust accounts
4. “Client accounts” in the name of third persons.
5. Accounts for Politically Exposed Persons (“PEPs”)
6. Correspondent accounts of banks outside European Union
7. Services to private banking customers
8. Electronic gambling through the internet, regulated by an EEA or a third equivalent country
9. Customers from countries which do not adequately apply FATF’s recommendations

Furthermore, the Group has re-assessed its risk appetite on money laundering and terrorist financing risk and considers that the following types of customers should be designated as high risk and subject to enhanced due diligence measures, monitoring and review procedures:

1. Customers connected with the following countries are considered as High Risk Customers:
 - Countries subject to strict sanctions/restrictive measures, as per Sanctions Policy, Appendix 2,
 - Countries as per Sanctions Policy, Appendix 3 (only existing customers, new customers are considered as not accepted)
 - Countries considered by FATF or Moneyval as high risk or not cooperative jurisdiction
 - Countries considered by EU Commission as high risk with strategic deficiencies

⁴Please refer to Credit Risk Policies and procedures

- Countries included in the European Union List of ‘Non-Cooperative Jurisdictions for Tax Heaven Purposes’. Customers connected with these countries will be categorized as high risk if they meet the following criteria:
 - a) Legal Persons registered in the countries included in the specific List, or whose Ultimate Beneficial Owners reside or their passport or permanent address is in one of these countries and the actual annual turnover in their accounts (debit or credit) exceeded the amount of €3ml.
 - b) Physical persons who reside or their passport or permanent address is in one of these countries and the actual annual turnover in their accounts (debit or credit) exceeded the amount of €500K.
 - c) Clients whose wire transfers to/from these countries exceed €3ml on an annual basis.

Note: All the above countries (except the list of the European Union for tax heavens) are included in Appendix 1 of the Customer Acceptance Policy as high risk countries-

2. Persons involved in the following high-risk industries:
 - Production and/or wholesale trading of petroleum products, such as oil and petrol, energy such as natural gas , CO2 emissions and wind power.
 - Operating in the following high risk industries and regulated/registered by/in an EEA or a third equivalent country:
 - Trading of art collections (such as paintings, sculpture)
 - Casinos (excluding online casino games)
 - Betting houses
 - Gambling/Betting online related services
 - Financial, brokerage or insurance services companies
 - Payment Institutions and Electronic Money Institutions (including MSBs providing Money Transmission Services and Currency Exchange Service)
 - Precious metals/stones. Conglomerate/well established companies that are in mining/exploration of gold and other precious metals industries from countries outside EEA/3rd equivalent can be also accepted and treated as high risk customers
 - Pawn shops
 - Non Profit organizations
 - Charities
 - Investment Fund, either regulated or non-regulated, whose management and control (investment manager and advisor and custodian / depositary) is regulated within the EEA or third equivalent country.
 - Organizations providing armed security services, provided they are licensed/regulated by an EEA or third equivalent country
 - Foundations registered in EEA or third equivalent countries for charity purposes provided that the majority of the donators/sponsors are from the country of registration.
 - Foundations for business or private purposes, provided that they are not registered in a country subject to strict sanctions by the EU, UN and OFAC (as per the Bank’s Sanction Policy, Appendices 2 & 3) or in a country considered by FATF or Moneyval as high risk or not cooperative jurisdictions or countries considered by EU Commission as high risk with strategic deficiencies

3. Legal entities with complex corporate structures provided there is a transparent and legitimate economic reason for their complexity.
4. Foreign government organizations and Embassies of countries outside the EEA or third equivalent countries, provided there is reasonable ground/business justification for establishing a business relationship
5. Persons with negative media information related to ML/TF
6. Fiduciary Deposits from reputable credit institutions regulated within EEA or third equivalent countries

Additionally, the following transactions are considered as high risk transactions, and enhanced due diligence measures should be applied⁵:

1. Loans over €1M equivalent with cash collateral or other security collateral granted to overseas customers for whom there is no clear connection between the applicant and the holder of the deposit.

3(iii) List of Significant Risk customers (physical and/or legal)

Important Note: Below customers are only accepted if they fall outside the non-acceptance criteria stated in list 3(i) above.

The following categories of customers are designated as Significant risk and, therefore, the Group is obliged, apart from normal customer identification and due diligence measures set out in the Law and the Directive, to perform enhanced due diligence measures, as well as on-going monitoring of accounts and transactions:

1. Customers operating in the following significant risk industries which are registered in an EEA country or a third equivalent country:
 - Prize Competitions
 - Sporting / Hunting / Antique guns
 - Internet Gaming other than electronic gambling
2. Customers involved in the following significant risk industries:
 - Production and/or wholesale trading of tobacco products
 - Production and/or wholesale trading of alcoholic products
 - Online trading/services
3. Customers connected with significant risk countries (included in Appendix 1 of the Customer Acceptance Policy).

⁵In this case only the transaction is considered as high risk, not the customer

3(iv) List of conditions under which a business relationship with an existing client must be terminated

The business relationship with an existing client must be terminated if any of the following apply:

- If the following types of new clients⁶ have not been met by Bank employees within three months from the date of opening of their first account:
 - Clients who were initially introduced by an approved professional intermediary.
 - Non face-to-face clients who (i) declare that their total debit or credit transactions are expected to be greater than EUR100K annually, or (ii) who fall into other high or significant risk categories, even if their debit or credit turnover is not expected to be greater than EUR100K

- If the following types of existing clients have not been met by Bank employees by their next scheduled review date:
 - High/significant risk clients who were initially introduced by an approved professional intermediary.
 - Non face-to-face clients whose total debit or credit transactions during the last 12 months was greater than EUR100K or who fall into other high or significant risk categories, even if their historic debit or credit turnover was not greater than EUR100K

- If, during the review / customer update process, the client fails or refuses to provide vital information requested by the Bank.
- If the client or, in the case of a legal entity, any of its directors, shareholders, beneficial owners, or signatories is added on “black lists” issued by the banking society in Cyprus (this applies only to the Group’s operations in Cyprus).
- If, by maintaining the relationship with a client against whom a court order by the local authorities has been issued, the Bank may be subject to high AML risk.
- If the client’s activities change and the new activities fall within the Bank’s non-accepted types of business.
- If a client was convicted for any serious predicate offence.
- If a client has attempted to deceive the Bank.

⁶In the case of legal persons, the Bank must meet the Ultimate Beneficial Owner or the person(s) who exercise control or the persons who have the responsibility for taking decisions (eg the directors, the trustee, the foundation council (not the nominee shareholder or the professional intermediary))

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Current lists of countries which are categorized as high or significant risk countries ⁽ⁱ⁾:

High Risk Countries

- Afghanistan
- Cuba
- Democratic People's Republic of Korea (North) ^(iv)
- Ethiopia
- Iran ⁽ⁱⁱⁱ⁾
- Iraq
- Latvia ^(v)
- Serbia ^(vi)
- Sri Lanka ^(vi)
- Sudan
- Syria
- Trinidad and Tobago
- Tunisia
- Vanuatu
- Yemen

Significant Risk Countries

- Angola
- Central African Republic
- Congo, Democratic Republic
- Eritrea
- Somalia
- Zimbabwe

Notes:

- (i) Customers connected with the above countries are considered High / Significant Risk respectively
- (ii) Customers connected with a country include:
 - a. The government/state of the said country or any public authority thereof
 - b. Any physical person in, or ordinarily residing in, the said country
 - c. Any legal person, entity or body having its registered office in the said country
 - d. Any legal person, entity or body, inside or outside the said country, owned or controlled, directly or indirectly, by one or more of the above mentioned persons or bodies
 - e. Any physical person who is a citizen of a said country, including those who have permanent residence outside this country.
- (iii) New customers who are individuals with an Iranian passport and whose permanent residence is in an EEA or a Third Equivalent Country are considered High Risk. Additionally, existing customers connected with this country, irrespective of their permanent residence address, are also considered as High Risk.

- (iv) Existing customers connected with North Korea are considered High Risk; new customers are considered Not Accepted.
- (v) Customers are considered as high risk if the annual cumulative amount of funds received/sent to Latvia exceeds the amount of €2m.
- (vi) An individual or a UBO of a legal entity with a Sri Lanka or a Serbian passport, whose permanent residence is in an EEA country or a Third equivalent country, is not considered as a high risk customer, unless other reasons exist.

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Current lists of countries from / to which transactions should be subject to enhanced due diligence measures

- Bahrain
- Belarus
- Cote d'Ivoire
- Jordan
- Kenya
- Kuwait
- Lebanon
- Libya
- Nigeria
- Oman
- Pakistan
- Qatar
- Republic of Guinea
- Russia
- Saudi Arabia
- South Sudan
- Turkey
- United Arab Emirates
- Venezuela

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