



Group Policy on Monitoring of Financial/Tax Exchange Information

1. BACKGROUND

The environment for tax reporting between international jurisdictions has been undergoing significant change in a global effort to improve tax transparency.

The Foreign Accounts Tax Compliance Act (FATCA) was imposed by the USA starting in 2014. Its fundamental objective is to identify those U.S. persons, who may be evading tax, through the use of offshore accounts and to ensure that the Internal Revenue Service ("IRS") can identify and collect the appropriate amount of tax from all U.S. persons. Several countries signed Intergovernmental Agreements with the USA, in order to facilitate the implementation of FATCA provisions by FIs in their jurisdictions. FATCA came into effect in Cyprus on 02/01/2015.

Following FATCA and in a global effort to improve tax transparency, the OECD promoted the implementation of the Common Reporting Standard (CRS) which provides for the automatic exchange of information between participating jurisdictions. Currently more than 100 jurisdictions participate in this OECD's initiative. CRS came in effect in Cyprus on 01/01/2016 as Cyprus (along with 57 other jurisdictions) signed as CRS early adopters.

While CRS draws extensively from FATCA, it has a broader scope and affects a significantly larger number of customers.

DAC6 refers to EU Council Directive 2018/882/EU. It was introduced on 25 May 2018 and provides for mandatory disclosure rules for intermediaries (and in some cases, taxpayers) in respect of cross-border arrangements affecting at least one EU member state, exhibiting certain "hallmarks". The main aim of the Directive is to provide tax authorities with an early warning mechanism on new risks of tax avoidance and thereby enable them to carry out audits more effectively. Prior to the Directive, such cross-border arrangements did not need to be reported under EU legislation.

2. PURPOSE

The Group is committed to the highest standards to comply fully with tax initiatives, relevant legislation and regulations (including Intergovernmental Agreements, Competent Authority Agreements and EU Directives), local country guidelines (including Decrees, Guidance Notes etc.) as well as best practices that govern the automatic exchange of financial and tax information. The purpose of this Policy is to set out the general principles in order to ensure that the Group establishes implements and maintains effective policies and procedures for full compliance with the relevant FATCA, CRS and DAC6 framework.



3. SECTORS AFFECTED

This Policy applies to all Group Entities to the extent that is possible given the regulatory framework within which they operate. The content of this Policy is mandatory and represents the minimum standards which apply throughout the Group which includes Bank of Cyprus Public Company Ltd and its branches/subsidiaries.

4. DEFINITIONS

“Intermediary” means any person that ‘designs, markets, organises or makes available for implementation or manages the implementation of a reportable cross-border arrangement’ or ‘knows or could be reasonably expected to know that they have undertaken to provide, directly or by means of other persons, aid, assistance or advice with respect’ to such activities.

An arrangement is cross- border if it concerns either more than one Member States or a Member State and a third country AND meets any of the following criteria:

- Not all participants in the arrangement are tax resident in the same jurisdiction;
- A permanent establishment linked to any of the participants is established in a different jurisdiction and the arrangement forms part of the business of the permanent establishment;
- At least one of the participants in the arrangement carries on activities in another jurisdiction without being resident for tax purposes or creating a permanent establishment situated in that jurisdiction;
- At least one of the participants has dual residency for tax purposes;
- Such an arrangement has a possible impact on the automatic exchange of information or the identification of beneficial ownership.

"Hallmark" refers to a characteristic or feature of a cross-border arrangement that presents an indication of a potential risk of tax avoidance. An EU Intermediary must report a cross-border arrangement that contains at least one the following:

- Generic hallmarks linked to the main benefit test
- Specific hallmarks linked to the main benefit test
- Specific hallmarks related to cross-border transactions
- Specific hallmarks concerning automatic exchange of information and beneficial ownership or

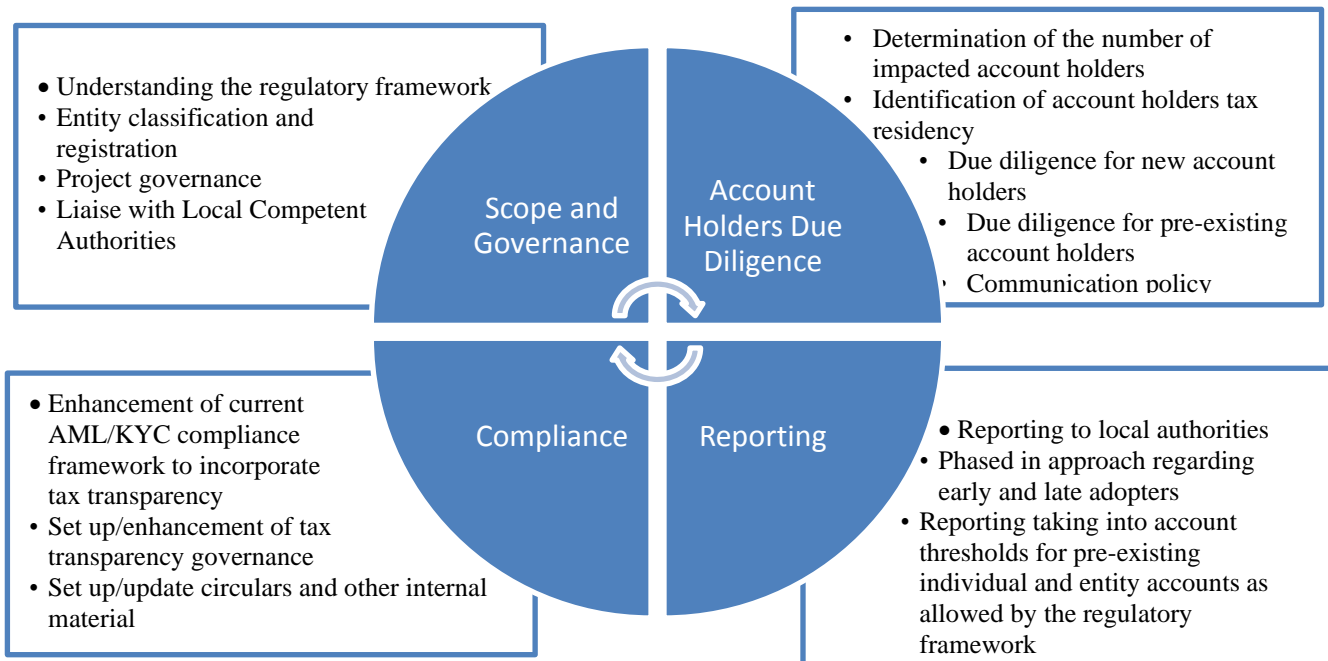
Specific hallmarks concerning transfer pricing.

The Main Benefit Test means that one of the main objectives of the arrangement is to obtain a tax advantage.

5. POLICY – GENERAL PRINCIPLES

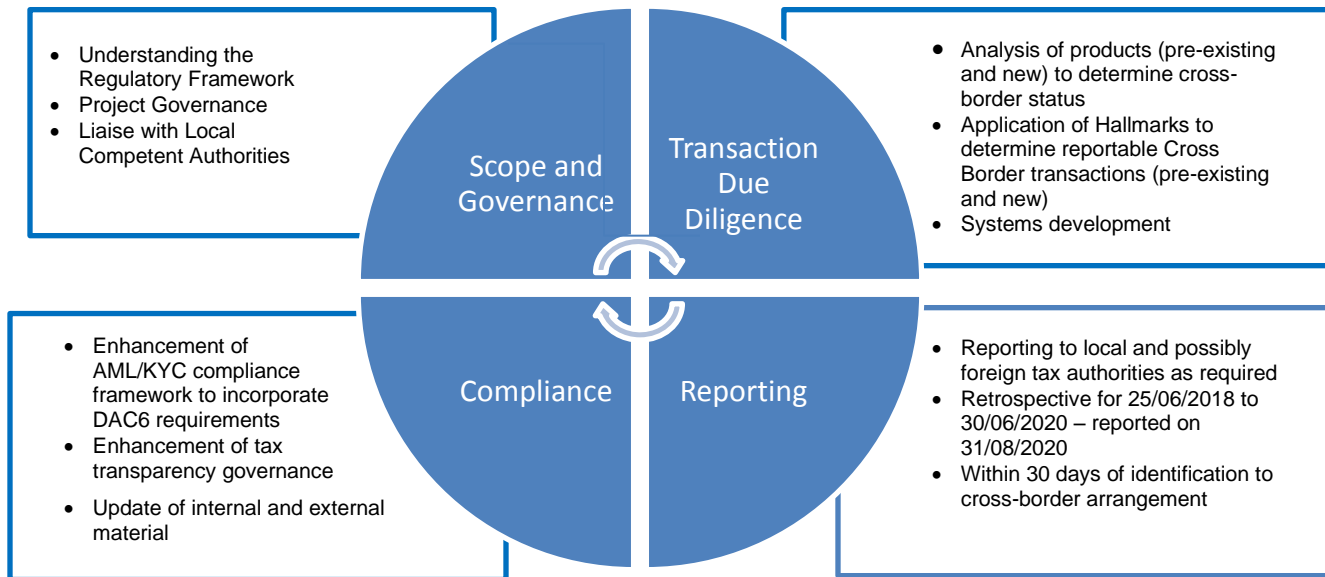
The Group will perform its responsibilities in accordance with the provisions of the legal and regulatory framework governing the automatic exchange of financial and tax information.

There are four main cornerstones that must be addressed to achieve compliance with the relevant regulatory framework for FATCA and CRS, as shown in the diagram below:



Whereas FATCA and CRS are information standards for the Automatic Exchange Of Information (AEOI) regarding bank accounts on a global level, between tax authorities, DAC6 requires EU intermediaries (including banks, accounting firms, law firms, corporate service providers and certain other persons) involved in cross-border arrangements to make a disclosure to their tax authority if certain requirements are met.

The four main cornerstones that must be addressed to achieve compliance with the relevant regulatory framework for DAC6, are shown in the diagram below:



A. SCOPE AND GOVERNANCE

i. Understanding the regulatory framework

It is critical that each Group Entity understands and addresses the relevant compliance requirements (for FATCA, CRS and DAC6) as they arise from the regulatory framework of the jurisdiction it is located in as well as other jurisdictions where applicable (e.g. Polish regulatory framework for DAC6). This framework may include Intergovernmental Agreements, Competent Authority Agreements, EU Directives, local legislation and guidelines etc. All staff should be properly trained in relation to the regulatory requirements according to their position and involvement in the implementation process.

ii. Entity Classification and Registration

There are several entity classifications under FATCA and CRS (the definitions may not coincide) and each entity must understand its status and classify itself accordingly in order to determine its respective obligations.

All Group Entities that qualify as FIs, must comply with the registration requirements as they arise from FATCA, the local regulatory framework and any agreements they may have entered into with foreign Tax Authorities (eg FFI Agreement with the US IRS).

iii. Governance

Each entity that is classified as an FI for FATCA/CRS purposes should:

- Appoint a Responsible Officer (RO). Even though there may not be a requirement for the appointment of an RO, each Group FI should appoint one. The RO will act as point of contact with the local Tax Authorities, oversee compliance with the regulatory framework and provide any certifications as required.
- Develop written procedures and manuals to implement compliance responsibilities arising from the relevant framework and arrange for relevant staff trainings



iv. **Implementation of FATCA/CRS/DAC6 and Local Competent Authorities**

The Bank liaises with the Local Competent Authorities and other professional bodies e.g. ACB, ICPAC etc, to ensure that the local guidelines reflect regulatory requirements and support the FATCA/CRS implementation in an efficient and effective manner in the interest of both the Group and our customers.

B. DUE DILIGENCE

As a general rule each reporting FI must enhance its due diligence review information and, if necessary, obtain additional documentation from account holders to establish their status in order to determine which are subject to reporting and/or withholding obligations (if applicable) or to establish whether or not the relevant transactions facilitate a reportable cross-border arrangement.

AML/KYC, FATCA, CRS and DAC6 due diligence procedures should be aligned and consolidated as far as possible, so that relevant information is collected in the most efficient and effective manner, with the minimum burden on our customers and staff.

All Group FIs should have in place procedures to protect the privacy rights of individuals in accordance with the Data Protection Law and the respective policies.

i. **Customer Identification**

Each FI must have in place procedures to ensure that:

- a) All new account holders provide at client opening, all forms and information necessary for their classification and identification.
- b) Pre-existing account holders are identified as potentially “Reportable accounts” and marked in the systems according to the requirements and deadlines of the applicable regulatory framework and any relevant agreements that the FI may have entered into with Tax Authorities.

Where reporting and due diligence thresholds are allowed each FI may take up the election.

ii. **Customer Documentation**

Each FI must have in place procedures to ensure that the valid self-certification documents which incorporate both FATCA and CRS requirements are obtained from all account holders, both new and pre-existing ones, identified as potentially reportable. For a self-certification document to be valid it must be duly completed and signed by the account holder and verified against other information collected in respect of the client for AML/KYC purposes. Overall the FATCA/CRS/ DAC6 requirements should be embedded into the normal business processes and should not be considered as a separate process.

iii. **Transaction Documentation**

Each FI must have in place procedures to assess its products, current and new, so as to evaluate whether they constitute or form part of or facilitate a cross border arrangement. For each cross-border transaction the FI must gather sufficient information to enable it to assess whether the transaction meets any of the hallmarks and therefore whether reporting is required under DAC6.



iv. **Data Analysis**

It is critical to ensure that systems are leveraged to support and facilitate compliance with the regulatory requirements. It is important to clarify system requirements, capture initial data on systems, identify gaps and take remedial actions.

v. **Communication**

Each FI should develop a clear, proper and transparent internal and external communication for FATCA, CRS and DAC6, via various channels (e.g. Website, Compliance Portal, FAQs, Circulars, Presentations, press releases etc.). Internal communication should be developed in a manner that highlights the impact and key processes implementing the respective regulatory frameworks and solves any questions/enquiries. External Communication Strategy is important to ensure that customers receive proper and timely information, and the FI receives the relevant documentation (e.g. valid self-certification forms and supporting documentation) from them in the most efficient way.

It is of the utmost importance to ensure that no information that may be perceived as tax advice is given to customers, as this is explicitly forbidden by the regulatory framework for both FATCA and CRS. Where the customer is not aware of his/her tax status or seeks advice, he/she should be immediately referred to his/her tax advisors and staff should refrain from giving any tax advice.

C. REPORTING

Bank of Cyprus Public Company Ltd and all Group subsidiaries in Cyprus report to the Cyprus tax authorities based on the FATCA Intergovernmental Agreement (IGA Model 1) of Cyprus with the United States and the CRS requirements. However, in relation to DAC6, reporting takes place to the Cyprus tax authorities as well as to foreign tax authorities where this is provided by the local legislation as is the case with Poland that expanded the scope of the Directive to have extraterritorial effect.

In case a subsidiary is located and operating in a partner jurisdiction (i.e. a jurisdiction that has in place an IGA with the USA) or a jurisdiction participating to the CRS, reporting should be done to the local Tax Authorities. Direct reporting can only take place to the US IRS for FATCA purposes, provided that the FI has in place a relevant agreement with such authorities. In relation to the DAC6, reporting takes place to the home jurisdiction as well as to any other jurisdiction that expanded the scope of the Directive to have extraterritorial effect.

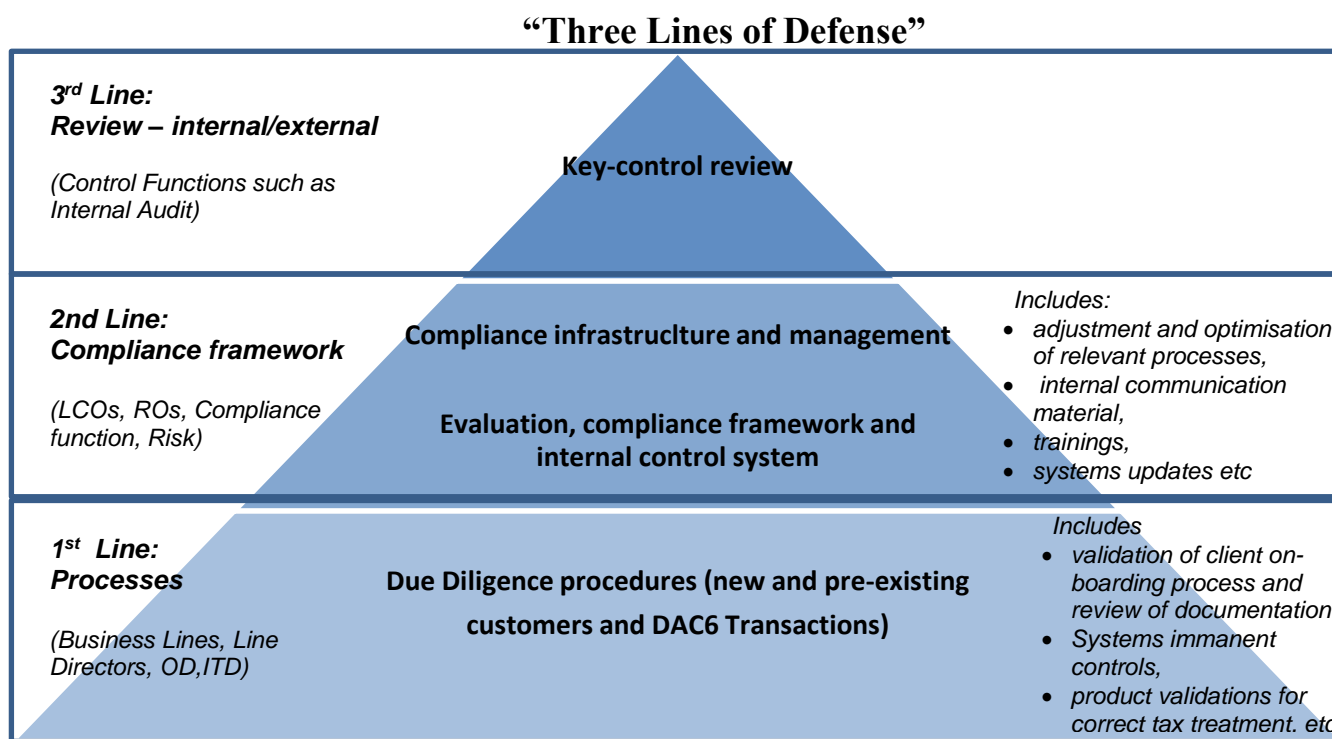
Each reporting FI must closely monitor developments in the Reporting Requirements of the jurisdiction in which it operates, as well as other participating jurisdictions that expanded the scope of the Directive to have extraterritorial effect. The local list of reportable jurisdictions may undergo changes at any given period of time, each country is likely to provide individual reporting profile and implement local reporting channels etc.



D. COMPLIANCE

Each FI must enhance the AML/KYC compliance framework to encompass the requirements of the tax transparency framework. Documentation and certifications provided by clients should be reviewed and validated against other information collected in relation to the client/transaction, as well as against the personal knowledge of the Relationship Manager/Personal Banker of the client. Therefore, properly documented procedures and clear internal communication materials (eg circulars, procedures manuals etc) should be provided to all responsible staff.

Effective implementation of FATCA, CRS and DAC6 as of any other regulatory framework requires involvement of all “Three Lines of Defense” as per the diagram below. Compliance should be regularly monitored, in co-operation with other control functions such as the Internal Audit, Operational Risk etc.



Non-compliance issues will be assessed accordingly and will take into account any impact on the capital adequacy and liquidity of the Bank.

6. ROLES AND RESPONSIBILITIES

All responsibilities should be clearly assigned, explained and monitored (refer to Appendix A).



7. SUPPORTING PROCEDURES AND TOOLS

There should be written, well documented and detailed procedures for the implementation of the regulatory framework and these should be effectively communicated to all relevant staff. Systems and tools should be adjusted accordingly, and staff adequately trained to support effective FATCA, CRS and DAC6 implementation and monitoring process.

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ALLOCATION OF RESPONSIBILITIES IN RELATION TO FACTA/CRS/DAC6 COMPLIANCE

<p>Responsible Officer</p>	<p>The role of Responsible Officer (RO) applies only to FATCA and CRS. The RO must have the appropriate authority and seniority to execute his/her responsibilities.</p> <p>Responsibilities are as follows:</p> <ol style="list-style-type: none"> a) Act as the central point of contact with external stakeholders such as the local Tax Authorities as well as internal stakeholders for CRS and FATCA compliance and related issues. b) Register the Reporting FI to the local and US IRS (as applicable) as per regulatory requirements. c) Ensure timely communication and implementation of the policies and procedures in relation to the Exchange of Financial and Tax Information, across the FI. d) Ensure the development and maintenance of effective internal controls to ensure compliance with the regulations. e) Ensure compliance with the relevant Regulatory Framework. Therefore he/she must ensure that the FI adopts such a compliance program that allows him/her to certify compliance with the relevant Regulatory Framework to the Tax Authorities as and when requested. f) Review findings of internal audit, Compliance, risk management and Line Directors' (via LCOs) in relation to FATCA/CRS compliance and ensure that the appropriate procedures and remedial actions have been performed across the organization. g) Make certifications to the Tax Authorities and other external stakeholders as and when required (including provision of Self-certifications). <p>A procedure must be in place to support this policy, with all documents/confirmations templates (and frequency) that need to be circulated by the RO to Line Directors and Control Functions to confirm compliance.</p>
<p>Central Team</p>	<ol style="list-style-type: none"> a) The role of the Central Team applies only to DAC6 and is to undertake the ongoing oversight of the project on implementation and to provide support on an ongoing basis. Its duties are set out below: b) Set policies and procedures (e.g. for new transactions) c) Ensure consistent application / interpretations within the Bank d) Coordinate people from various departments and business units (e.g. Compliance, Risk, Policies and Regulations, IT, Legal etc) e) Communicate with the Banking Association and the tax authorities f) Establish escalation policy (e.g. for queries, to assess new arrangements, when to seek for external support etc) g) Monitor and observe data to identify new products (if applicable) for which there is a need to develop a policy



	<ul style="list-style-type: none"> h) Revisit policies / procedures as a consequence of deficiencies identified from internal / external reviews i) Follow up on data analytics (from tool) as to whether there is appropriate compliance (number of reports / engagement of teams etc) j) Relax controls (if applicable) once the Bank has a robust understanding on certain transactions k) Consider policy in cases where different teams are involved on the same client (e.g. interaction of IBU with Wealth Management, Global Corporate etc) l) Revisit and update lists (e.g. no-tax / low-tax / non-cooperative jurisdictions)
<p>Line Directors</p>	<p>Line Directors have the ultimate responsibility and accountability for adherence to this policy (owners) and corresponding circular within their Divisions. Specifically, Line Directors are responsible for monitoring the implementation of relevant procedures at customer and transaction level as applicable and imposing remedial actions when deemed necessary. Line Directors should facilitate, monitor and report compliance with Framework for the Monitoring of Financial/Tax Exchange Information to the Responsible Officer and Compliance or Central Team as applicable, with the support of the LCO.</p>
<p>Compliance Division/or Subsidiary Head of Compliance</p>	<p>The responsibilities of the CD are as follows:</p> <ul style="list-style-type: none"> a) Monitoring any new developments in relation the regulatory framework of Framework for the Monitoring of Financial/Tax Exchange Information and ensuring timely changes in internal processes and procedures if required. b) Assessment of the implementation of Framework as a 2nd line of defence. c) Offering support to staff as and where required to ensure correct implementation of Framework. d) Ensuring that sufficient training is provided to the staff, on an as need basis.
<p>Local Compliance Officer</p>	<p>The role of the LCO includes the following responsibilities:</p> <ul style="list-style-type: none"> a) Assessment of the implementation of Framework for the Monitoring of Financial/Tax Exchange Information by the respective Lines as a 1st line of defence. This includes: <ul style="list-style-type: none"> • review of adherence to timelines • review of adherence to the plans submitted by the lines to compliance • review of process of updating client data • reporting accordingly on compliance and providing remedial recommendations • facilitate relevant trainings • monitoring and facilitate due diligence procedures and customer communication plan b) Offering support to the staff of the respective Lines for the implementation of the relevant procedures



Internal Audit	Internal Audit acts as the 3rd line of defense by incorporating risk of non-compliance with FATCA/CRS into its risk and audit universe. Compliance reviews are performed periodically and their findings are reported to the Responsible Officer and Compliance Function accordingly.
Operational Risk	Operational Risk as a 2 nd line of defense is responsible: <ul style="list-style-type: none"> a) For ensuring that appropriate processes and procedures which are in place are reviewed from operational risk perspective and b) For applying operational risk framework in order to identify and assess the risk of noncompliance with the regulations.
Organisational Management Department	Develop and update written procedures to implement compliance with the Framework for the Monitoring of Financial/Tax Exchange Information and ensure (in cooperation with IT department) that systems and data analysis are leveraged to support these procedures.
Information Technology Department	Develop/update systems to support compliance responsibilities and statutory reporting.
Finance Department	Provide the required data and facilitate the process of entity classification. Provide information regarding changes in the Group structure or entity activities so that any necessary adjustments in entity classification can be implemented.

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