

**GROUP POLICY: MONITORING OF FINANCIAL/ TAX EXCHANGE INFORMATION**

**1. PURPOSE AND SCOPE OF POLICY**

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, using 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 Financial Institutions (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 into 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, there was no requirement under EU legislation to report such cross-border arrangements.

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 to ensure that the Group establishes, implements, and maintains effective policies and procedures for full compliance with the relevant FATCA, CRS and DAC6 framework.

This Policy applies to all Group Entities to the extent 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 subsidiaries.

**2. ABBREVIATIONS**

Within this document, the following abbreviations are used:

<b>Abbreviation</b>	<b>Definition</b>
ACB	Association of Cyprus Banks
AEOI	Automatic Exchange of Information

Abbreviation	Definition
AML/KYC	Ani-Money Laundering / Know Your Client
CEO	Chief Executive Officer
CRS	OECD's Common Reporting Standard
DAC6	Directive 2011/16/EU on administrative cooperation in the field of taxation
EU	European Union
FAQ	Frequently Asked Question
FATCA	Foreign Accounts Tax Compliance Act
FFI	Foreign Financial Institution
FI	Financial Institution
CD	Compliance Division
ICPAC	The Institute of Certified Public Accountants of Cyprus
IGA	Intergovernmental Agreement
IT	Information Technology
CL	Compliance Liaison
OD	Organisation Department
OECD	Organisation for Economic Co-operation and Development
RO	Responsible Officer
USA	United States of America
US IRS	Inland Revenue Services of the United States of America

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### 3. DEFINITION OF TERMS

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For the purpose of this policy, the terms listed below have the following meaning:

**1. Bank**

Means “Bank of Cyprus Public Company Limited”

**2. Group**

Means “Bank of Cyprus Public Company Limited, its ultimate holding company and its subsidiaries”.

**3. 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:

- a. Generic hallmarks linked to the main benefit test,
- b. Specific hallmarks linked to the main benefit test,
- c. Specific hallmarks related to cross-border transactions,
- d. Specific hallmarks concerning automatic exchange of information and beneficial ownership or
- e. 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.

**4. 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

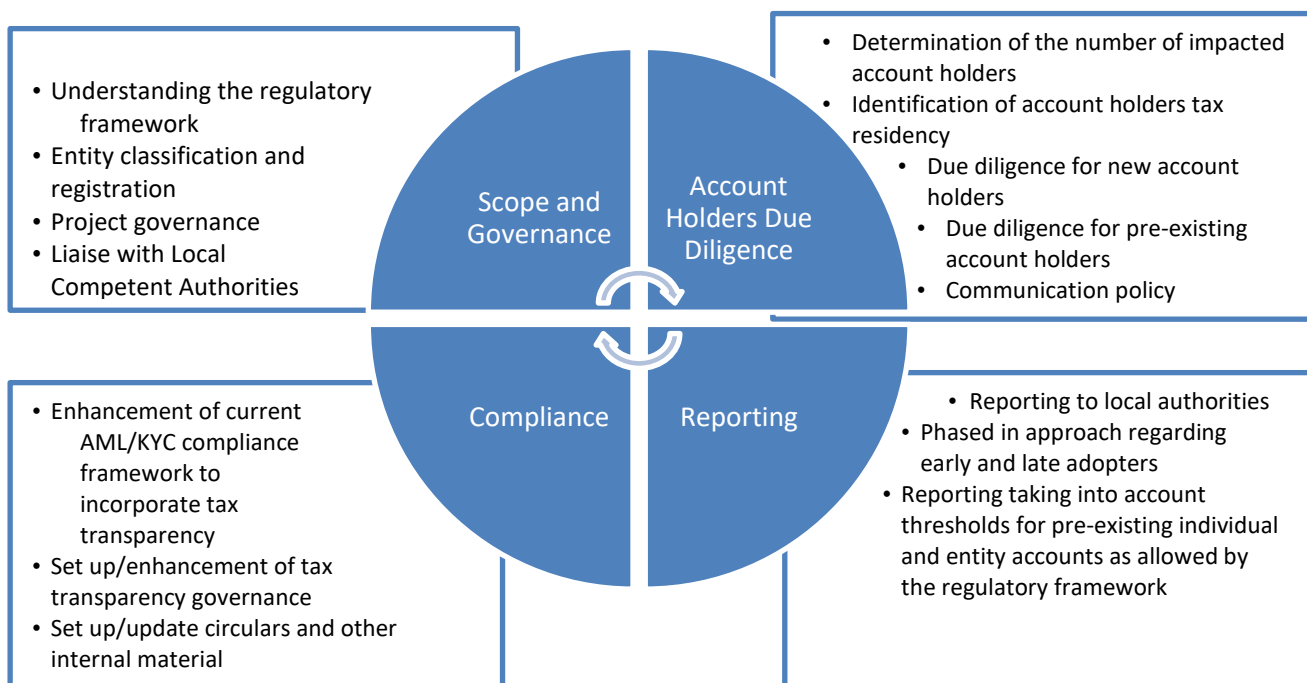
know that they have undertaken to provide, directly or by means of other persons, aid, assistance or advice with respect' to such activities.

- a. 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:
- b. Not all participants in the arrangement are tax resident in the same jurisdiction.
- c. 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.
- d. 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.
- e. At least one of the participants has dual residency for tax purposes.
- f. Such an arrangement has a possible impact on the automatic exchange of information or the identification of beneficial ownership.

#### 4. GENERAL PRINCIPLES

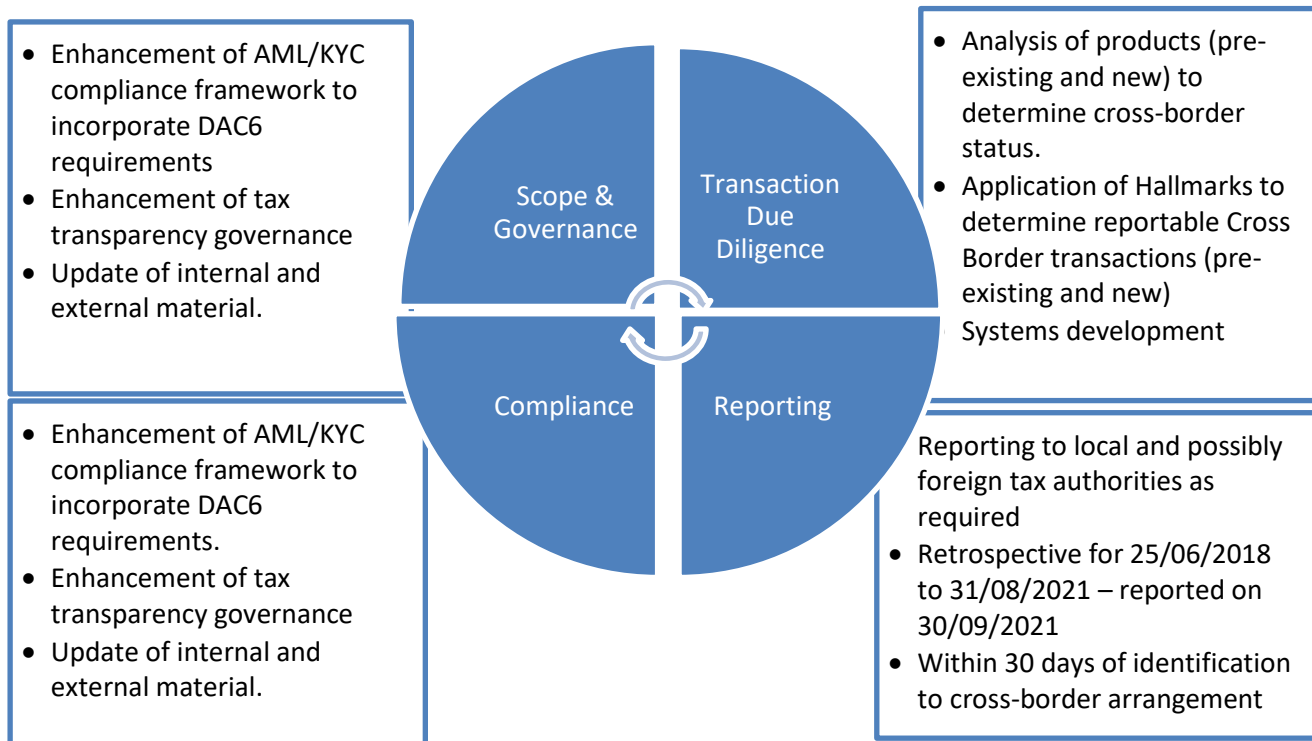
The Group will perform its responsibilities in accordance with the provisions of the legal and regulatory framework governing the automatic exchange of financial and tax information.

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.

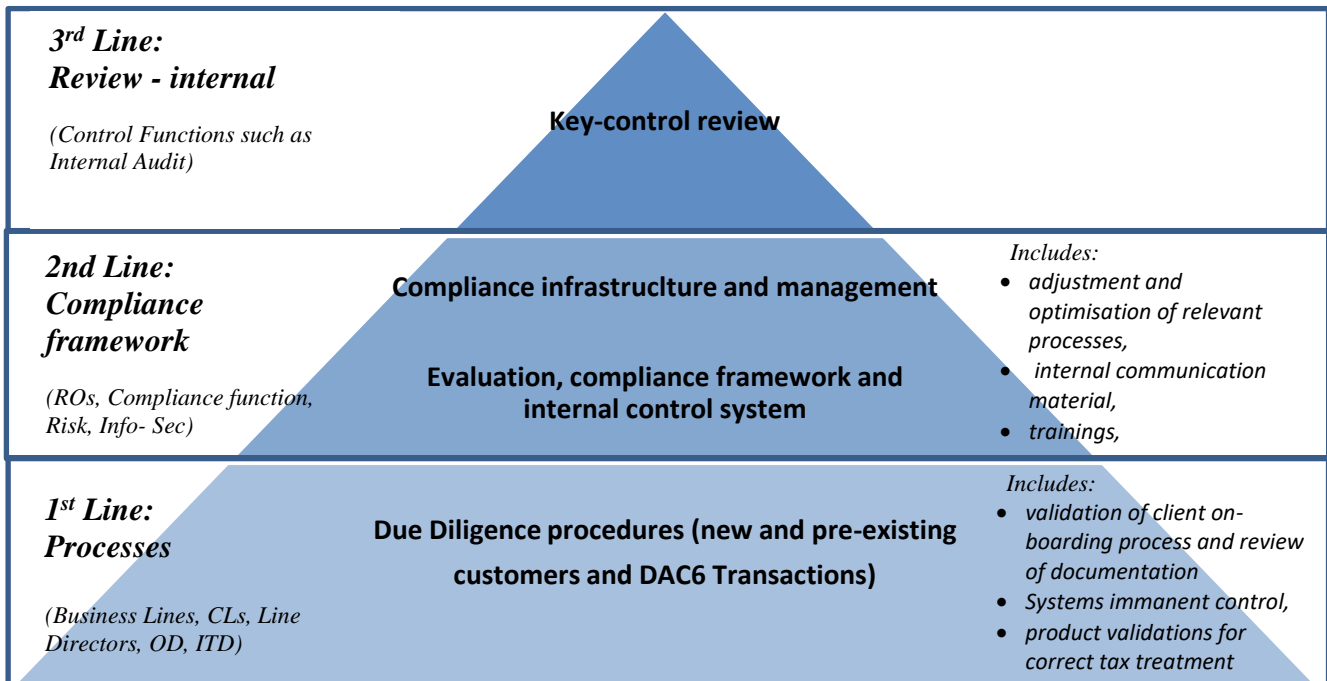
The four main cornerstones that must be addressed to achieve compliance with the relevant regulatory framework for DAC6, are shown in the diagram below:



Each FI must enhance the AML/KYC compliance framework to encompass the requirements of the tax transparency framework. Documentation and certifications provided by clients shall 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 (e.g., circulars, procedures manuals etc.) shall 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 Defence” as per the diagram below. Compliance shall be regularly monitored, in co-operation with other control functions such as the Internal Audit, Operational Risk etc.

**“Three Lines of Defence”**



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

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**5. GOVERNANCE**

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**5.1 Principles**

**1. 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, they are 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, guidelines etc. All staff shall be properly trained in relation to the regulatory requirements according to their position and involvement in the implementation process.

**2. 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, 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 with foreign tax authorities (e.g., FFI Agreement with the US IRS).

**3. Governance**

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

- a. Appoint a Responsible Officer (RO). Even though there may not be a requirement for the appointment of a RO, each Group FI shall appoint one. The RO will act as a point of contact with the local tax

authorities, oversee compliance with the regulatory framework and provide any certifications as required. The responsible officer is usually the Compliance officer of the entity and/or the Compliance Liaison.

- b. Develop written procedures and manuals to implement compliance responsibilities arising from the relevant framework and arrange for relevant staff training.

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

The Group 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/DAC6 implementation in an efficient and effective manner in the interest of both the Group and our customers.

**5.2 Roles and Responsibilities**

For this Policy, the following major Roles and Responsibilities have been identified.

<b>Board of Directors</b>	Bears the ultimate responsibility for the effective implementation of this Policy and setting the right tone from the top.
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Approves the Policy</li> <li>• Makes sure that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the policy.</li> <li>• Monitors the effective implementation of the Policy via the Control Functions.</li> </ul>
<b>ExCo</b>	<p>Ultimately responsible for</p> <ul style="list-style-type: none"> <li>• Reviews the Policy prior to submission to the AC.</li> <li>• Ensures that it is effectively embedded throughout the Group’s operations.</li> </ul>
<b>Chief Executive Officer</b>	Provides approval for the exemptions to the policy.
<b>Deputy Chief Executive Officer</b>	Provides approval for the exemptions to the policy.
<b>Internal Audit Division</b>	<ul style="list-style-type: none"> <li>• Periodically assesses the Policy and the Bank’s system of internal controls, corporate governance and risk management processes related to the Policy.</li> <li>• Inform AC of its findings and relevant recommendations.</li> </ul>
<b>Operational Risk Management Department</b>	<p>Operational Risk, as a second line of defense is responsible for:</p> <ul style="list-style-type: none"> <li>• Ensuring that appropriate processes and procedures which are in place are reviewed from an operational risk perspective, and</li> <li>• Applying the operational risk framework to identify and assess the risk of noncompliance with the applicable regulatory framework.</li> </ul>

<p><b>Organisational Management Department</b></p>	<p>Develop and update written procedures to implement compliance with the Framework for the Monitoring of Financial/Tax Exchange Information and ensure (in cooperation with the IT department) that systems and data analysis are leveraged to support these procedures.</p>
<p><b>Information Technology Department</b></p>	<p>Develop/update systems to support compliance responsibilities and statutory reporting.</p>
<p><b>Finance Department</b></p>	<p>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.</p>
<p><b>Line Directors / Subsidiary General Manager</b></p>	<p>Line Directors/Subsidiary General Manager have the ultimate responsibility and accountability for adherence to this Policy (owners) and corresponding circulation within their divisions. Specifically, Line Directors/Subsidiary General Manager 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/Subsidiary General Manager shall facilitate, monitor and report compliance with this policy to the Responsible Officer and the CD or Central Team as applicable, with the support of the CL.</p>
<p><b>Responsible Officer</b></p>	<p>The role of the Responsible Officer (RO) is relevant only in relation 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> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Register the Reporting FI to the local and US IRS (as applicable) as per regulatory requirements.</li> <li>• Ensure timely communication and implementation of the policies and procedures in relation to the Exchange of Financial and Tax Information, across the FI.</li> <li>• Ensure the development and maintenance of effective internal controls to ensure compliance with the regulations.</li> <li>• 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.</li> </ul>

	<ul style="list-style-type: none"> <li>• Review findings of Internal Audit, Compliance, Risk Management and Line Directors’ (via CLs) in relation to FATCA/CRS compliance and ensure that that the appropriate procedures and remedial actions have been performed across the organization.</li> <li>• Make certifications to the Tax Authorities and other external stakeholders as and when required (including provision of Self-certifications).</li> </ul> <p>A procedure must be in place to support this Policy, with all documents/confirmations templates (and frequency) of completion.</p>
<p><b>Compliance Liaison</b></p>	<p>The role of the CL includes the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Assessment of the implementation of the 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"> <li>a. Review of adherence to the plans submitted by the Lines to CD,</li> <li>b. Ensure the timely completion of specific FACTA/CRS campaigns by the units/branches of their Line.</li> <li>c. Assess and analyse new or amended regulatory developments with regards to FATCA/CRS and participate in regulatory compliance projects and assist in the drafting of new or amended procedures in case of new developments affecting the operations of the Division.</li> <li>d. Follow up and monitor regulatory compliance findings arising from on-site / off-site inspections.</li> <li>e. Review of process of updating client data with regards to client tax information.</li> <li>f. Reporting accordingly on compliance and providing remedial recommendations.</li> <li>g. Facilitate relevant trainings.</li> <li>h. Monitor and facilitate due diligence procedures and customer communication plan.</li> </ul> </li> <li>• Offering support to the staff of the respective Lines for the implementation of the relevant procedures.</li> </ul>
<p><b>Central Team</b></p>	<p>The role of the Central Team is relevant only in relation to DAC6. The Central Team must undertake the ongoing oversight of the project on implementation and to provide support on an ongoing basis. The Central Team consists of the coordinator, and members from the Compliance Division, IBU &amp; International Corporate-Shipping and Finance Division. Its duties are set out below:</p> <ul style="list-style-type: none"> <li>• Set policies and procedures (e.g., for new transactions).</li> <li>• Ensure consistent application / interpretations within the Bank.</li> <li>• Coordinate people from various departments and business units (e.g., Compliance, Risk, Policies and Regulations, IT, Legal etc.).</li> </ul>



	<ul style="list-style-type: none"> <li>• Communicate with the ACB and the tax authorities.</li> <li>• Establish an escalation policy (e.g., for queries, to assess new arrangements, when to seek external support etc.).</li> <li>• Monitor and observe data to identify new products (if applicable) for which there is a need to develop a policy.</li> <li>• Revisit policies / procedures because of deficiencies identified from internal / external reviews.</li> <li>• Follow up on data analytics (from tool) as to whether there is appropriate compliance (amount of reports / engagement of teams etc.).</li> <li>• Consider policy in cases where different teams are involved with the same client (e.g., interaction of IBU with Wealth Management etc.).</li> <li>• Revisit and update lists (e.g., no-tax / low-tax / non-cooperative jurisdictions).</li> </ul>
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### 5.3 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 is done 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 in the CRS, reporting shall 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 in 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, each country is likely to provide individual reporting profile and implement local reporting channels etc.

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## 6. EXCEPTION APPROVAL PROCESS

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In cases where there is a request for deviation from this policy, which:

1. is fully justified.
2. does not violate the legal/regulatory framework, or constitutes a significant moral lapse, nor does it constitute a significant reputational risk for the Bank and
3. has the approval of the Chief Compliance Officer

then this exception can be allowed with the agreement of the CEO or Deputy CEO of the Bank. The Audit Committee to be notified accordingly.

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## 7. IMPLEMENTATION PROCEDURES (KEY PROCESS)

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### 1. Due diligence

Generally, each reporting FI must enhance its due diligence review information and, if necessary, obtain additional documentation from account holders to establish their status to determine which are subject to reporting and/or withholding obligations (if applicable) or to establish whether the relevant transactions facilitate a reportable cross-border arrangement.

AML/KYC, FATCA, CRS and DAC6 due diligence procedures shall 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 shall have in place procedures to protect the privacy rights of individuals in accordance with the Data Protection Law and their respective policies.

#### a. Customer Identification

Each FI must have in place procedures to ensure that:

All new account holders provide at client opening, all forms and information necessary for their classification and identification.

Pre-existing account holders are identified as potentially “Reportable accounts” and marked in the systems according to the requirements of the applicable regulatory framework and any relevant agreements that the FI may have entered with tax authorities.

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

#### b. 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 shall be embedded into the normal business processes and shall not be considered as a separate process.

#### c. Transaction Documentation

Each FI must have in place procedures to assess its products, current and new, 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, subject to banking practice requirement for information needed.

#### d. 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.

#### e. Communication

Each FI shall 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 shall 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 shall be immediately referred to his/her tax advisors and staff shall refrain from giving any tax advice.

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