

# Code of Banking Conduct

In view of the accession of Cyprus to the European Union and the subsequent harmonization of the local banking sector to European standards, ACCB implemented a Code of Banking Practice. The Code, which was approved by members of the Association on 10 October 2001, codifies inter-alia the interaction of member banks with their customers, with each other and with third parties.

The code outlines best banking practices, clarifies rights and obligations of both banks and their customers, and enhances consumer protection. In this sense, banks adopting the code voluntarily commit themselves to implementing the provisions of the Code to the benefit of both their clients and the financial sector at large.

The Code was prepared in line with local banking industry conditions and in line with other E.U. countries' Banking Code Practices.

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For additional information about this code and for additional copies you may contact your nearest branch of any Bank Member of the Association of Cyprus Commercial Banks.

## **INTRODUCTION**

**This is a translation of the code's original version in Greek. Where there might be differences in interpretation, the Greek version prevails.**

The Banking Code is the product of interbank cooperation under the auspices of the Association of Cyprus Commercial Banks, which had the initiative for, and assumed coordination of its completion.

Gradual liberalisation of the financial services sector dictated the need to lay down rules of conduct to regulate relations between banks themselves, their customers and other third parties.

By establishing a code of conduct banks aim to the voluntary adoption of good banking practice standards, as these are prescribed by commercial custom, the law of merchants and internationally acknowledged rules of banking. The code was drafted and shall operate within the framework of EU regulations, Cyprus legislation and Supervisory Authorities' regulations, and shall serve in parallel to any other financial sector codes-of-conduct as may be in force from time to time.

The main objective of the code is to encourage transparency and good faith in bank transactions and to reinforce the general feeling of mutual trust among banks as well as banks and their customers at large.

These rules encourage and promote competition between credit institutions and enhance the proper functioning of market forces in order to improve quality of products and services rendered to the benefit of customers.

The Code shall be reviewed at regular intervals, whenever this is deemed necessary, on the basis of experience gained and suggestions submitted from time to time. This code shall come into force on 01/01/2002.

## **TERMINOLOGY**

Terms used in the code, shall be interpreted in accordance with the definitions given under the provisions of relevant legislation in force from time to time, and generally accepted banking practice.

## **APPLICATION**

The code shall only apply to natural persons.

# CHAPTER 1: BANKING CODE PRINCIPLES

## 1. CUSTOMER INFORMATION AND SERVICES

- The purpose of the Code is to lay down rules and procedures that regulate Banks' professional conduct vis-a-vis their customers, in accordance with the general principles described below:
- Banks shall act fairly and reasonably in all their dealings with their customers
- Banks shall offer their services to all customers with the same level of quality and comprehensiveness and shall demonstrate the same due courteousness avoiding any discrimination based on customers' nationality, religion or sex.

Classification of customers in groups and differentiation of services rendered, shall not constitute discrimination, especially in the following instances:

- Declining to offer services or departing from the conventionally prescribed or customarily established manner of rendering them, whenever this is deemed necessary based on legal grounds relating to the customer in question.
- Charging a different rate for services rendered, based on a customers' real or expected transaction turnover or the potential risk to be undertaken by the bank.
- Providing a different operating environment for rendering a service for reasons pertaining to the nature of, or need for expedient delivery of, the service in question.
- Designing financial products and their derivatives, and selectively announcing and discretionally offering them to selected customer, or potential customer groups/categories based on the common characteristics or attributes that define such customer groups/categories, aiming to promote the said products to the particular customers.
- Banks shall attend to their employees' professional training and their professional development in general.
- Banks shall ensure that operating systems and technologies used are reliable so as to provide maximum security both to their customers and themselves.
- Banks must continuously attend to the upgrade and technological improvement of services and products rendered, and must ensure that services offered by electronic means are provided in a manner which may be easily used by the average customer.
- Banks must ensure that technical and operational terms used in the course of rendering services with the use of new technology are clear and understandable by the general public.
- Banks must ensure, to the extent of their responsibility and as far as this is reasonably possible that transactions effected with the use of new technology are secure, and that entries are correctly recorded, depicted and archived. Banks' aforementioned obligation does not release customers of their duty to comply with bank rules for proper usage and safe keeping of technical means which directly or indirectly, in whole or in part, are used in order to utilise the relevant technologies for communicating with the banks or for effecting transactions and/or safeguarding against effecting transactions by non-authorised parties.
- Banks shall help their customers to understand how their accounts work and shall provide them with all information requested concerning services they render.
- Banks shall abide by all relevant laws of the Republic of Cyprus, Central Bank of Cyprus regulations and other Codes of Conduct or similar documents adopted by the members of the Association of Cyprus Commercial Banks.
- At the time when a contractual relationship is being developed or is established, banks must provide their customers with some basic information, for example when opening an account banks must inform customers of the terms and conditions which shall govern the operation of the said account. Additional information and instructions relating to other products and services shall be provided upon customer request.
- Banks must exercise due diligence, and refrain from effecting transactions which they know or have reason to suspect are connected with money laundering or

other illegal activities in violation of the Prevention and Suppression of Money Laundering Activities Law of 1996 its subsequent amendments and other relevant laws. In accordance with the letter and the spirit of the above mentioned law, banks must exhibit due care and take all appropriate operative and administrative measures to uphold the law while at the same time avoiding to causelessly offend their customers' integrity.

## **2. CODE IMPLEMENTATION**

(OBSERVING THE CODE)

- Each Bank is required to inform its employees about the content of the current Banking Code of Conduct and must establish appropriate procedures and measures to ensure compliance with the provisions of the code.
- The body responsible for interpreting amending and supplementing the code as well as supervising its application shall be a committee of the Association of Cyprus Commercial Banks comprised of Association members' representatives.
- Banks are required to place at the disposal of the Association of Cyprus Commercial Banks their representatives at the committee referred to in paragraph 1.2.2, and must provide the Association every support and assistance to ensure the efficient functioning of the committee and the performance of its duties.

## **3. PRODUCT PROMOTION AND ADVERTISEMENT**

The following basic rules shall regulate the promotion and advertisement of banking products and services:

- All bank advertisements shall:
  - be in accordance with relevant legislation in force from time to time and all regulations enacted under such legislation,
  - be truthful, illustrating with clarity the proposed dealings without exaggerations, and shall not include inaccurate or misleading information or unduly overstate or attempt to conceal the features of the products and services on offer, and shall not attempt to exploit the public's ignorance or misapprehensions,
  - be within the spirit of fair competition, shall pay due regard to customers' trust of banks and to the Banking system's good reputation, shall ensure that it does not provoke the general public's concern with regard to any one credit institution, and shall refrain from making defamatory remarks about other banks' products either directly or indirectly.
- As far as this is possible a common terminology must be applied in bank advertisements so as customers may be able to compare similar products and services across different banks. Information used for comparison purposes must be based on accurate data which can be verified, and must be comprehensive as prescribed by good faith and good practice, in order to communicate proper, adequate and impartial information to the public at large.
- It shall not be allowed to reproduce the content of advertisements, which are currently or have in the past been used by other financial institutions to promote a certain financial service or product nationally or internationally.

Direct advertising shall not be permitted in cases whereupon establishing a customer relationship or at any time the customer in question states in writing that he/she objects to receiving such material.

## **CHAPTER 2: BANK-CUSTOMER RELATIONSHIP**

### **1. ACCOUNT OPENING**

- In order to be able to protect their customers, the general public and themselves against fraud and misuse of the banking system, including money laundering and other illegal activities, banks must apply the fundamental principle of “know your customer”.

Under current rules and practices banks are obliged to verify the identity of any person applying to open an account as well as the nature of the business for which the account shall be used and the nature of all activities related to the account.

- Banks shall collect customers' identity details by requiring that they fill out and sign the appropriate documents.

### **2. TERMS AND CONDITIONS**

- Documents encompassing the terms and conditions under which bank services are provided shall be in plain and easily understood language and shall provide accurate and balanced description of customers' rights and obligations.
- Banks shall advise their customers of the manner in which possible amendments in the terms of service will be communicated:

In particular:

- when amendments are to the customer's advantage, banks may effect such amendments immediately and inform customers within 30 days.
- When amendments are neither to the customer's advantage or disadvantage, banks shall communicate such amendments at least 30 days ahead of implementation.
- When amendments are to the customer's disadvantage, banks shall communicate such amendments at least 30 days ahead of implementation. Subsequently customers may within 60 days after notice was transmitted, change or close their accounts without suffering any loss.
- In cases where an account is held under the name of more than one person banks shall outline clearly the rights and obligations of each individual account holder.
- Banks shall not close customer accounts without reasonable notice unless this is warranted due to exceptional circumstances e.g. fraud.
- Banks shall furnish their customers with account statements unless such statements are not useful and necessary depending on the nature of the accounts e.g. savings accounts where deposit books are issued so that customers may monitor their accounts and inspect entries effected therein. Banks shall dispatch statements at least once a year but customers shall be encouraged to ask that such statements are sent to them more frequently.
- Banks shall provide customers with information concerning the operation of their accounts and other important information such as:
  1. when and how customers may stop the payment of a cheque or recall other payment orders.
  2. When cheques or other negotiable instruments deposited to their accounts are cleared.
  3. How cheques are handled according to their characteristics

### **3. INTERESTS AND OTHER CHARGES PAYABLE BY CUSTOMERS**

1.
  - o Banks shall upon customer request, explain how account-servicing charges are computed. For this purpose each bank shall issue a schedule of fees for basic services on offer. Bank branches shall make this schedule of fees available to customers when opening an account or upon customer request.
  - o Banks shall advise customers either through announcements in the daily press or, through written notice to them or, any other means deemed suitable, of any changes in the interest rate the method of its calculation or the time at which it becomes payable, and generally of any other changes.
2. Details of charges for services not included on the schedule of fees shall be given at the time such a service is provided, or upon customer request.
3. Banks shall advise customers upon their request about the amount of interest accrued but not yet charged to their accounts.
4. Banks shall advise their customers on interest rates applied to their accounts, the method of computing interest charges, and when they are charged.

Banks shall also inform their customers of interest rates charged in cases where accounts are overdrawn without prior agreement or beyond agreed limits.

#### **4. INTEREST PAYABLE TO CUSTOMERS**

1. Banks shall place at customers' disposal information concerning interest applied on interest bearing accounts using one or more of the means described below:
  - posters, announcements or/and leaflets at their various branches.
  - advertisements in the mass media
  - personal notifications,
  - telephone communications
  - internet or other electronic means.
2. Banks shall advise their customers on interest rates applicable to their interest bearing accounts, the method of computing interest earned and when it is credited to their accounts.
3. Any changes in the method of computing interest which will have immediate effect, shall be communicated by way of announcements at all bank branches, or the mass media or enclosed with or printed on account statements, or any other available means.

#### **5. CONFIDENTIALITY**

1. Banks are obliged to hold customer (and former customer) details in strict confidence. They must not reveal details about customer accounts, their names and addresses, to any third parties including other companies of the same group, except in cases prescribed under the Banking Law of 1997 and other laws governing bank secrecy now in force or as may be in force from time to time. According to current legislation bank secrecy may be lifted when:
  - a. a customer or his authorised representatives give his/their written consent to this end, or
  - b. a customer has been declared bankrupt or where the customer is a company in respect of which winding-up proceedings have been initiated, or
  - c. court proceedings have been initiated between the bank and a customer or the customer's guarantor(s) (regarding the customer's account), or
  - d. information is conveyed, to the police under the provisions of any law, or, to a public servant duly authorised by relevant legislation to receive such

- information or, to a court during the hearing of a criminal offence under the provisions of relevant legislation, or
- e. a bank is served with a court order for the sequestration of money held in a customer's account, or
  - f. information is required for the proper execution of the duties of the bank's auditors or legal advisors or for the proper execution of the duties of a colleague employed by,
    - i. the same bank,
    - ii. the bank's parent company,
    - iii. another subsidiary of the parent company,
    - iv. a bank's own subsidiary, or
  - g. relevant information is required for assessing a customer's creditworthiness in relation to a bona fide commercial transaction or future commercial transaction. Such information disclosed shall be of a general nature and shall in no way relate to account details of the customer in question, or
  - h. information shall be disclosed to facilitate the update and running of the central information repository, or
  - i. disclosure of information is necessary to protect public interest or to protect the bank's interests.
  - b. The phrase "to protect the bank's interests" in paragraph [2.5.1 (h)] above shall in no case be interpreted to mean promoting the bank's business.

## **6. CUSTOMER ACCOUNT AND PERSONAL IDENTIFICATION NUMBER (PIN) SAFETY**

1. Banks shall call to customer attention their responsibility to take steps to ensure safekeeping of their chequebooks and deposit books as well as their personal identification and access codes, so as to preclude the possibility of fraud. Banks shall point out to their customers that:
  - a. they should never allow anyone to use their chequebooks, deposit books or their personal identification numbers,
  - b. they should take all reasonable measures to ensure safety of their chequebooks, passbooks and preserve confidentiality of their personal identification numbers,
  - c. they should never write their personal identification numbers on their chequebooks, deposit books or on anything they usually keep together with them,
  - d. they should never write their personal identification numbers anywhere without making sure that it cannot be identified by third parties
  - e. they must destroy upon receipt, any bank notice advising them of their personal identification numbers.
2. Banks shall advise their customers of their obligation to report their chequebooks and passbooks as missing or stolen as soon as is practically possible once they become aware of it.

## **7. BUSINESS PROMOTION AND GRANTING OF CREDIT FACILITIES**

1. In their advertising brochures banks shall among other things, inform existing and potential customers, that all loan applications will be subject to evaluation.
2. In their effort to promote their business, banks shall act responsibly and with due care. In particular, banks must exhibit due care to ensure that their advertising material is not misleading, that it is fair, and is in accordance with relevant legislation.
3. In assessing whether or not to approve loan or other credit facility applications, banks shall pay due regard to a variety of information which could include:
  - a. knowledge and experience of a customer's financial situation acquired in the course of past dealings,
  - b. information from other banks or credit reference agencies and other information bureaus,
  - c. information disclosed by the customer,

- d. customer's credit scoring,
  - e. customer's age,
  - f. customer's capacity to service the loan,
  - g. how the customer conducted his/her dealings with the bank in the past,
  - h. security offered,
4. Banks shall reflect with consideration on customers' credit applications for purposes of handling financial hardship. Banks shall encourage their customers to confide in them early on, any potential economic difficulties they might be facing. Banks shall consequently make reasonable efforts to provide useful information, and try to assist their customers provided that their basic credit criteria are met.
  5. Banks shall not contract with their customers in such ways so as to prevent them from simultaneously dealing with other banking institutions.

## **8. FOREIGN EXCHANGE SERVICES AND CROSS BORDER TRANSFERS (INCOMING AND OUTGOING PAYMENT ORDERS)**

1. Banks shall provide their customers with details of fees and other charges applicable to foreign exchange transactions. Where this is not possible they will provide details on how charges are computed.
2. Banks shall provide all customers wishing to transfer money abroad with details of services on offer including the following:
  1. basic description of services on offer and how they may be used.
  2. details concerning time usually needed to complete a transfer of funds according to customer orders. If an exact date cannot be given, banks shall advise customers of the expected, or the latest date by which the transfer is expected to have been completed and funds to have been cleared to the beneficiary.
  3. details of fees and commissions payable by customers to their banks. Where additional fees may be payable to correspondent banks this information should also be disclosed.
3. Banks shall furnish customers enquiring about expected incoming transfers, with details of the terms of service including the following:
  - a. applied value date,
  - b. when and how incoming funds would be cleared to the beneficiary,
  - c. exchange rate and charges applicable in the event of currency conversion.
4. In addition to the provisions of paragraph 4.1 hereunder concerning banks' handling of customer complaints, customers may refer complaints relating to cross border transfers up to EURO 50,000.00 to the Central Bank's "Committee for Handling Complaints on Cross Border Transfers" if not satisfied with their banks' handling of their complaints. The Committee shall act as an arbitrator and its authorities and functions shall be outlined by Central Bank directives in force from time to time.

## **9. GUARANTEES AND OTHER THIRD PARTY COLLATERAL**

1. In cases where customer proposes to offer security by a third party for his own liabilities, banks must inform the third party of the following:
  - a. that by way of guarantee or other security provided it is possible that he/she may be rendered liable in the same way as the principal debtor,
  - b. whether the guarantee or other security provided, will be for an unlimited amount, or otherwise must inform him/her of the maximum amount of his/her liability,
  - c. that by providing a guarantee or other security together with other guarantors he/she might be rendered solely liable for the full amount due,
  - d. that it is advisable to seek independent legal advice before signing a guarantee or providing other security to cover someone else's liabilities.

The above must be included in clear and unambiguous notes to any documents signed extending guarantee or other security for the obligations of a third party.

## **CHAPTER 3: CARD HOLDERS**

### **1. TERMS AND CONDITIONS**

1. In opening Card Accounts banks must follow the standard procedures for opening any account as described in paragraphs 2.1.1 and 2.1.2 of the present code, in conjunction with all relevant legislation and Central Bank regulations in force from time to time.
2. Written terms and conditions of services offered for each type of card must be set down in simple language and must render a fair and balanced representation of the bank - customer relationship.

Customers must be informed that under the Foreign Exchange Law and Central Bank regulations in force from time to time, banks may be obliged to disclose information about customers' card transactions carried out abroad.

3. Banks shall advise their customers of any amendments to applicable terms and conditions. Banks shall give reasonable notice before effecting any such amendments.
4. Banks may communicate changes in card interest rates in/with cardholders' account statements. Banks may also communicate such changes on branch notice boards or through mass media announcements.
5. Banks shall advise cardholders how often payments shall be due and what their payment period shall be.
6. Banks shall issue new cards only upon customer application. Replacement or renewal of existing cards may be effected without prior customer request.

### **2. CARD SAFETY**

1. Banks shall issue customers' cards and personal identification numbers separately and shall communicate personal identification numbers only to the customer concerned.
2. Banks shall call to their customers' attention their obligation to safeguard their cards, personal identification numbers and other personal information so as to avoid potential fraud. In particular banks shall stress to their customers that:
  - a. they should never allow anyone to use their cards or personal identification numbers,
  - b. they should take all reasonable measures to ensure their card's safety and at all times preserve secrecy of their personal identification numbers.
  - c. they should never write their personal identification numbers on their cards or on anything they usually keep together with them,
  - d. they should never write their personal identification numbers anywhere without ensuring that it may not be identified by third parties,
  - e. they shall destroy upon receipt, any bank notice advising them of their personal identification numbers.

### **3. LOSS OF CARDS**

1. Banks shall advise customers that they must inform their banks, as soon as practically possible or upon discovering that:
  - a. their card has been lost or stolen,
  - b. someone may have gained knowledge of their personal identification number.
2. Banks shall advise and regularly remind customers through their statements of account or by any other means of the address and telephone number they can contact to give details about stolen or lost cards.
3. Banks shall act upon customer's telephone instructions but may ask for written confirmation of what was communicated over the phone.
4. Banks shall, upon request, inform their customers whether they accept notification for lost or stolen cards through any agency for reporting lost or stolen cards or any other third party.
5. Upon being notified that a card has been lost, stolen or unlawfully used or that a personal identification number may have been made known to a third party, banks shall act immediately to prevent further use of the card and unauthorised access to the customer's account.

### **4. LIABILITY FOR LOSS OF CARD**

1. Banks shall assume total liability for damages arising:
  - a. in cases where a card is unlawfully used before coming to the customer's possession
  - b. for all transactions effected without customer approval, and after the bank has been notified that the card was lost, stolen or that a third party knows or may know the customer's personal identification numbers (without prejudice to the provisions of paragraph 3.4.3 below which shall continue to apply)
  - c. if machine or other system errors, cause direct damage to the customer, except in cases where the error is obvious, or is communicated to the customer by way of a screen message.
2. Bank liability shall be limited to sums incorrectly debited to customer accounts and any interest and other charges related to those sums.
3. Damages resulting from the use of the card by a third party, before the bank is notified that the card is lost, stolen or that the customer's personal access code has become known to a third party, shall be borne by the customer up to the sum of CYP100.00, (except where the customer acts fraudulently with intent to deceive the bank or acts with gross negligence).
4. In case of disputed transactions the burden of proof for fraud or gross negligence shall lie with the bank.
5. Customers shall be responsible for all loss and damage, when acting fraudulently or with gross negligence. Gross negligence shall be presumed when the customer fails to act according to the provisions of Paragraphs 3.2 and 3.3.
6. Notice as described under paragraphs 3.3.2 and 3.3.5 shall come into effect as from the date received. Notice communicated verbally shall not be considered valid unless confirmed in writing within seven days, when this is required under the card agreement.
7. When two or more credit cards are issued under a single agreement, the provisions of paragraphs 3.4.1 3.4.6 above shall apply to each card accordingly.

### **5. CANCELLING CARDS**

1. Bankcards are the property of issuing banks, therefore issuing banks have the right to cancel and recall them as they please without a legal obligation to offer the cardholder any explanations. Notwithstanding this, it is customary that banks inform their customers of the reasons for cancelling or recalling their cards.

2. In case where a customer wishes to cancel his/her bankcard on his/her own accord, he/she must submit a written cancellation request and at the same time return his/her card to the issuing bank. Clearly, customers shall be liable for all card transactions carried out up until the date of card cancellation. In addition customers shall be required to settle any remaining card balances within a period specified by their issuing banks. Other than the settlement of any outstanding balances, card cancellation shall not affect in any way any card connected accounts or other accounts or agreements drawn up between the issuing banks and their customers.

## **6. RECORDS**

1. To enable customers to review their accounts and inspect entries recorded therein, banks shall provide customers with account statements that illustrate account movement and show all payments and withdrawals effected.
2. Banks shall advise customers that they should inspect their account statements. Customers should, within reasonable time, inform banks of any entries recorded in their account statements, which seem to be false.

Banks are responsible for the safekeeping of documents with regards to information relating to bankcards of both existing and past customers for a period specified by international practice.

## **CHAPTER 4: DEALING WITH CUSTOMER COMPLAINTS**

1. Each bank shall have in place its own internal procedures for handling customer complaints. Such internal procedures shall ensure:
  - o a simple and easy way of reporting complaints
  - o forthcoming and prompt investigation of complaints,
  - o fair handling of complaints, and
  - o the right and the means to report complaints up the bank's hierarchy in cases where customers deem that their complaints were not dealt with in an appropriate manner.
2. Customers should be informed of the existence of complaints handling mechanism and procedures to be followed.

Banks must ensure that all employees, especially those who deal with customers directly, are fully informed of their banks' customer complaints' procedures and are capable of advising customers of the details of the said procedures in a clear and appropriate manner.