

BANK OF GREECE

GOVERNOR'S ACT No 2501/31 October 2002

Re: Credit institutions' disclosure requirements to retail customers with respect to terms and conditions governing the provision of bank services

THE GOVERNOR OF THE BANK OF GREECE, having regard to:

- a) the provisions of the Statute of the Bank of Greece, in particular article 55A thereof, as currently in force;
- b) article 1 of Law 1266/1982 re: " Authorities responsible for the conduct of monetary, credit and exchange rate policies, and other provisions", in conjunction with article 12 of Law 2548/1997;
- c) articles 13 para 5 and 18 para 5, first indent, of Law 2076/1992 re: "Taking up and pursuit of business of credit institutions, and other provisions", as currently in force;
- d) Law 2396/1996 re: "Investment services in the securities field etc." and Ministerial Decision 12263/B/500/24 April 1997 re: "Code of conduct concerning investment firms", as currently in force;
- e) Bank of Greece Governor's Act 1969/8 August 1991, as currently in force;
- f) Bank of Greece Administration's Circular No. 21/24 October 1995,
- g) Presidential Decree 33/2000 "Transposition into Greek law of EU Directive 97/5/EC of 27 January 1997 on cross-border credit transfers, in conjunction with Regulation (EC) No. 2560/2001 of the European Parliament and of the Council on cross-border payments in euro;
- h) paragraph 2, chapter III, of Bank of Greece Governor's Act 2485/31 January 2002 regarding customer information requirements on investment firms operating in Greece;
- i) the need to complement existing provisions regarding the transparency of transactions. as well as to codify such provisions into a single text.

HAS DECIDED

to amend and codify provisions regarding the disclosure of information to credit institutions' customers as follows:

A. GENERAL PRINCIPLES

Credit institutions operating in Greece shall:

- Duly inform their customers on the nature and the characteristics of the products and services offered and, in general, on the terms and conditions governing bank transactions.
- periodically inform, in writing, their customers on the way the terms of any contractual agreement signed are abided by, throughout the contractual period.
- Respond, in due time, to customers' requests for the provision of information and clarifications regarding the application of contractual terms.
- Have established a special unit for reviewing customer complaints.
- Ensure the proper training of their employees involved in the provision of specific information to customers.

- Formulate the content of their promotional materials and advertisements in the media in accordance with, *inter alia*, the key transparency rules Laid down in the present Act.
- Determine interest rates in the context of the open market and free competition principles, taking into account the particular risks they assume and any changes in financial conditions, as well as data and information which counterparties ought to provide with accuracy for this purpose.

B. MINIMUM DISCLOSURE REQUIREMENTS

In accordance with the above general principles, credit institutions shall provide at least the following information, so as to enable customers, before entering into an agreement, to clearly understand the characteristics of the services and products on offer, when such products and services are not customised and hence are negotiable on a bilateral basis.

1. Deposits

- a) interest rate levels or ranges offered, depending on the duration and the amount of the deposit;
- b) the day when interest begins to accrue on a new deposit and ceases to accrue on a withdrawal;
- c) the day count convention (number of days in a year and month);
- d) the dates on which deposit interest is accounted and credited to the depositor's account, and the corresponding annual effective yield;
- e) any additional terms and conditions (e.g. minimum initial balance requirement, average balance requirement, conditions for early withdrawals in cases of time deposits etc.);
- f) any taxation on interest income, commissions and fees or handling charges (for instance vis-à-vis issue of cheques, direct debits, transfer of funds between different accounts that a depositor might hold with the bank etc.).

As regards synthetic products (the return on which is determined on the basis of data and indices), which are similar to investment products, customer information shall include specific elements that would facilitate the comparability of such products with other products of a similar nature (either deposit- or investment-type), as well as the full description of both expected returns and potential risks to be incurred.

In particular, in order to facilitate comprehension and comparability of such products, credit institutions shall:

- indicate the annualised rate of return at the time the deposit is placed with the irrespective of the duration of the placement and give the consumer a clear and accurate description of the factors determining the rates of return on the specific products, including alternative assumptions as to the main determinants of the rates of return (scenarios on the evolution of stock market indices, exchange rates etc.), and mentioning at least two representative examples (such as the favourable and the unfavourable scenario),

2. Lending:

With respect to lending, minimum information shall include

- a) i) the level of basic lending rates, including all charges, and the level of spread, where applicable. Specific reference shall be made to any non-standard contributions, taxes and duties provided for in applicable legislation (type and amount or percentage of charge);
- ii) the day when interest on loans granted begins to accrue, including information on periods of grace (if any);
- iii) the day-count convention (number of days in a year and month);
- iv) for floating-rate loans, the benchmark interest rate, clearly defined on the basis of the relevant

money market rate, the periods during which this rate would apply, as well as information on key factors that could affect the total cost of the loan (e.g. ECB key rates).

v) in particular, for fixed-rate housing and consumer loans, detailed breakdown of payments of principal, interest and other charges for the period during which the fixed rate is applicable;

vi) the level of fees for any special services rendered, one-off expenses, as well as any amount collected by credit institutions on behalf of third parties;

vii) the level of overdue repayment (default) interest rate and the method of interest reckoning (including the date on which default interest will start to accrue its calculation basis, as well as the period of accrual and capitalisation of interest);

viii) the terms and any relevant charges in case the borrower exceeds contractual credit lines;

ix) the terms and conditions for early repayment of the loan, or for any change in the terms and covenants of the loan agreement. as well as any relevant charges where permitted) and the way in which these are calculated;

x) for loans in foreign currency or with a foreign currency clause, information on risks arising from exchange rate volatility;

xi) the possibility and the cost involved in using hedging techniques against exchange rate or interest rate risks;

xii) any obligation on the part of the borrower to open a deposit account with the credit institution granting the loan or credit.

b) For consumer loans or credits to purchase goods or services extended by the retailers themselves operating in agreement with credit institutions, all conditions of the loan, including when interest will begin to accrue, should be disclosed, along with information on any indirect charges. Such loans shall be concluded at the premises of the credit institution. Interest shall at no event be charged before the disbursement of the loan.

When parts of the transactions referred to in this paragraph are not concluded at the credit institution's premises, credit institutions shall inform their customers on the kind of their contractual relationship with the retail outlet and the customers' rights arising as a result of this relationship. Credit institutions shall choose suitable personnel to give their customers all relevant information.

3. Other operations

Credit institutions shall announce in detail the level of commissions charged for their operations other than lending and deposits. Such commissions may be fixed or be determined within a specific range. Furthermore, credit institutions shall announce in detail the fees they charge for the provision of services on behalf of third parties and for relevant expenses.

4. Special issues

a. Credit cards

Information to credit card holders shall also cover the case of theft or loss of the credit card. To this end, in addition to information on the interest rate, the annual fee, the method and the period of interest reckoning of any outstanding balance, and any other expenses and commission fees, as well as the conversion rate for foreign currency transactions, credit institutions shall inform credit card holders on the special terms and conditions governing the responsibilities of both the card issuer and the card holder, the manner in which the customer should notify the issuer in the event of theft or loss etc .

b. Derivative financial instruments

Credit institutions shall inform their customers on the basic characteristics of financial (or other) derivatives they sell on their own behalf or on behalf of third parties. Such information shall be aimed at enabling customers to understand in full the benefits and risks entailed and the potential loss they may suffer from a sudden change in the value of such derivatives, either as a result of individual operations or in conjunction with other operations (e.g. granting of additional credits to meet liabilities falling due).

c. Legal status and rights of customers

Credit institutions shall also inform their customers on both their legal status and rights as counterparties to a bank transaction, especially when credit institutions hold securities (e.g. under repo agreements) and other assets of the customers, in connection either to deposits or to investment or synthetic products. Such information shall also include information on the customers' coverage by the Deposit Guarantee Fund (TEK).

C. MEANS OF INFORMING CUSTOMERS

Credit institutions shall disclose the above information to their customers, by, at least, the following means:

1. General terms

- a) (i) They shall make available, at their premises, information leaflets containing information on the key products and services offered including the basic or the benchmark interest rate on lending, commission fees, one-off charges, expenses on behalf of third parties, as well as taxes and duties. (ii) They shall display, in a prominent position, a legibly written list of commission fees charged for the said services, as well as a list of exchange rates applied, with reference to a relevant list of commissions, where applicable.
- b) They shall announce through the press their basic lending rates, pursuant to Bank of Greece Governor's Act 2496/28 May 2002 on reporting requirements.
- c) They shall notify customers, before the conclusion of the agreement, of all terms governing the relationship between the credit institution and the customer and provide them an exact copy of the agreement.
- d) They shall provide their customers supporting documents for each transaction as well as a breakdown (interest, commission fees, one-off charges, other expenses, taxes and duties) of the payments that their customers need to make to meet their obligations. Such breakdown shall be provided, at the latest, together with the first periodic statement of account to be issued following the execution of a transaction.
- e) In the event of unilateral modification, on the part of the bank, of the initial terms and covenants of the agreement, where permitted, credit institutions shall notify their customers in advance, either collectively or individually, of all relevant changes. In either case, information shall also include the date on which these changes will come into effect. A notice of at least 30 days shall be given to customers to enable them to decide whether to accept the new terms or terminate the agreement, in accordance with relevant provisions therein, which must have been stated in a clear and understandable manner.

2. Periodical statements

- a) Deposits: Information on items (a) and (f) of chapter B, para. 1 hereof and on the balance of the account shall be given at regular intervals, at least every quarter, unless the account has remained inactive, in which case information shall be given biannually. *For* savings deposits *for* which a passbook is issued, the customer shall be informed upon producing the passbook. *For*

repo transactions and time deposits, information shall be given at the time the transaction is carried out.

b) Lending: Information shall be given on the evolution of overdue debt, interest and other charges, as well as on any change in the interest rate, where such change is permitted. Information shall be given at least on a quarterly basis, unless the period of debt servicing is longer or where there exists a prior agreement on more frequent information.

When credit is granted through credit cards, monthly statements shall also include information on the minimum amount of payment.

3. Information upon request

a) In deposit, loan and credit agreements, credit institutions shall provide information to their customers, upon request, on issues not covered by the above-mentioned periodical statements. Such information shall be provided within reasonable time, depending on the degree of research required by the nature of such information; this time shall at no event exceed the time limits set in para 3 of article 47 of Law 2873/2000, as currently in force.

Furthermore, credit institutions shall state all the components of the total balance of the customer's deposits and liabilities, with clear reference to both interest and other charges included in the balances on which interest is reckoned, as well as to any other expenses agreed upon.

b) Credit institutions shall provide detailed information to customers on the expenses entailed by the application of the present para 3. The amount and the way of payment shall be defined, in a fair manner, by credit institutions, always taking into account the type of transaction.

4. Special cases

a) Credit institutions shall, irrespective of whether borrowers have submitted a relevant claim or not, provide them with a detailed statement on the level of their debt (principal, interest and all charges) within 30 days of the date at which such debt has become overdue.

b) By analogy to provisions applying to borrowers, credit institutions shall also inform loan and credit guarantors, upon the conclusion of the relevant agreements, on the obligations they undertake. If the borrower is in default, information to guarantors shall be provided according to para. 4a above.

c) Credit institutions may choose the way they will inform customers who are deemed to have adequate experience (e.g. certain categories of institutional investors).

d) Especially in the case of cross-border transfers of credit, as such transfers are defined in Presidential Decree 33/2000, the special provisions of the said Presidential Decree shall apply (in conjunction with the provisions of Regulation (EC) 2560/2001 of the European Parliament and the Council on cross-border payments in euro) with regard to issues related with the provision of information to customers and the way of resolving disputes that may arise from carrying out the said transactions.

5. Marketing

On the basis of applicable rules (e.g. Law 2076/92, Article 13, para. 5, and Law 2251/94, Article 9), advertising and sales promoting of financial services and products, irrespective of the media used (wire services, Internet, printed material, telephone) shall be clear and understandable, be true and not misleading and meet the basic customer information requirements, as defined in the present Act.

D. REVIEWING CUSTOMER COMPLAINTS

1. Credit institutions shall review all complaints their customers might have in respect of the entire range of products and services supplied. To this end, credit institutions shall establish a Complaints unit. Customers shall be informed of the procedure for filing and reviewing complaints in a clear and understandable manner, according to relevant provisions under para 1, Chapter C hereof. The result of the investigation and the final position of the bank shall be made known to customers within 45 days of the date the complaint was filed with the bank.

2. Every year, by the end of January, banks shall inform the Bank of Greece about the total number of complaints submitted to them during the previous year, broken down as follows:

- number of complaints by category or product (loans, deposits, investment products),
- average time of response (mentioning the minimum and the maximum times)
- number of cases under review.

E. E-BANKING

Credit institutions offering Internet (e-banking) services shall make sure that they provide all necessary information to fully meet the purposes of the present Act. This can be done either by making available all relevant data on their websites or alternatively, by assigning this task to a contact person at branch level (the details of whom, including address and telephone number, shall be disclosed in the Internet). Furthermore, data shall include: a) data on the identity of the credit institution, with specific mention to its authorisation by the Bank of Greece or its operation by virtue of a Community passport, under Law 2076/1992 and the Second Banking Coordination Directive 89/646/EEC/15 December 1989 and b) information on the safety of Internet banking (type and degree of security offered).

F. COMMISSION FEES ON LENDING

Commission fees on any kind of lending by credit institutions are prohibited, with the exception of:

- a) management fees on syndicated loans
- b) commission fees on inert capital (irrespective of the type of credit).

Commission fees under the present chapter do not include fees for special services, one-off expenses and expenses on behalf of third parties (e.g. notary fees, appraisal fees, registration of mortgage etc.).

G. OTHER PROVISIONS

1. Credit institutions shall notify in writing the Bank of Greece (Monetary Policy and Banking Department) of the way in which they implement the provisions hereof, including measures taken for the effective application of these provisions, depending on the information medium used (e.g. Internet, advertisement, information at branch level). Such notification shall be made once, within three months of the present Act coming into effect. Following this first notification, credit institutions shall report to the Bank of Greece once a year (in the month of January) or whenever important changes are made, particularly as regards the procedures, the way or the content of information to customers.

2. As of the entry into effect of the present Act, the following shall be repealed:

- a) Bank of Greece Governor's Act 1969/91, as currently in force, regarding credit institutions' customer information on the level of interest rates, commission fees and associated expenses and
- b) Bank of Greece Administration's Circular 21/24 October 1995

The government budget shall not incur expenses on account of the provisions of this Act.

The present Act shall be published in the Government Gazette (Issue A).

The Governor

Nicholas Garganas

True copy,
Athens, 1 November 2002
Monetary Policy and Banking Department
The Director

P. Kyriakopoulos