

Annex 1

OUTSOURCING ACTIVITIES TO THIRD PARTIES

According to the provisions of par. 2.4 of Chapter II of this Act, the following shall apply with respect to outsourcing:

A.1.a) Credit institutions may not outsource the activities 1.1. to 1.2.6 described below to third parties.

b) The above exception shall not apply in the case of providers that are authorised to carry out such activities and supervised by the Bank of Greece or the Hellenic Capital Market Committee or the supervisory authorities of the European Economic Area (EEA) countries or by the non-EEA countries with equivalent supervisory regime under the general provisions in force.

c) In the cases of the previous section, the Bank of Greece shall be notified in a timely manner (at least 20 days before the conclusion of the contract), unless the provider is established in a third (non-EEA) country, in which case therefore prior authorisation by the Bank of Greece shall be required, on the basis of the equivalence of supervisory regimes and Bank of Greece's ability to have access to the data or to perform the controls, that may be required for the performance of its supervisory tasks.

1.1. Core banking and investment services:

1.1.1. acceptance of deposits or other repayable funds;

1.1.2. credit granting;

1.1.3. money transmission services and transfers of funds;

1.1.4. issuing means of payment;

1.1.5. reception and transmission of orders on behalf of third parties;

1.1.6. execution of orders on behalf of third parties;

1.1.7. dealing in transferable securities on own behalf;

1.1.8. portfolio management on behalf of third parties (other than for own account);

1.1.9. underwriting and placing of transferable securities.

1.2. Ancillary banking and investment services:

1.2.1. foreign exchange, gold or precious metals transactions;

1.2.2. transferable securities and financial instruments placing, subscription, purchase, management, safekeeping and sale;

1.2.3. financial instruments safekeeping and management;

1.2.4. credit granting for the execution of transactions in financial instruments;

1.2.5. services related to underwriting;

1.2.6. foreign exchange services where these are connected to the provision of investment services.

2. a) The **whole set** of responsibilities of the Internal Audit Unit, Risk Management Unit, Compliance Unit and information systems may be outsourced to an entity controlled by the credit institution, within the meaning of Article 2 of Law 2076/1992, as currently in force, only after a prior approval by the Bank of Greece.

b) **Part** of the responsibilities of the Internal Audit Unit, Risk Management Unit (e.g. periodical assessment of rating systems), Compliance Unit and the information systems used for the IT support of core activities referred to in par. 1 may be outsourced to an entity which is not subject to the credit institution's control only after a prior approval by the Bank of Greece, as well.

3. A prior approval by the Bank of Greece shall not be required:

a) when the activities referred to in par. (2b) above are outsourced to persons subject to the credit institution's control. These cases shall be notified to the Bank of Greece at least twenty (20) days before the conclusion of the contract;

b) for activities not included in paragraphs 1 and 2 above, such as:

- administration of cards (provided that it does not include credit granting);
- provision of legal advices;
- human resources management; and
- intermediation activities (such as the promotion of products and services by agents of the credit institution, the simple notification of debtors to repay their obligations, unless the relevant notice includes cash collection, in which case the provisions of par. 2 concerning the provision of an authorisation shall apply, etc).

These cases shall be notified in writing to the Bank of Greece by the credit institution on a quarterly basis, starting from 30.9.2006.

B. 1. The Board of Directors, the Senior Management and the competent officers of the credit institution shall retain the overall responsibility of outsourced activities. In this context, they shall establish and ensure the observance of an outsourcing policy, which includes, inter alia:

1.1. a clear definition of the activities that may be outsourced, as well as of the needs and the objectives to be served by the outsourcing solution;

1.2. the assessment of the potential risks involved in outsourcing (or even sub-outsourcing) and the establishment of risk management mechanisms. The factors to be taken into account in risk assessment include the importance of the outsourced activity for the credit institution, the existence of alternative service providers for the activity in question, the time and cost required for the reincorporation of the outsourced activity by the credit institution or its transfer to another service provider in the event of breach of the contract by the original provider (par. 1.5.3) and the possibility to insure, wholly or partly, the risks undertaken;

1.3. the procedures for choosing the service provider. The credit institution shall examine the suitability, the lawfulness of the carrying out activities, as well as the adequacy of the service provider as regards its financial position and its operational and auditing procedures, so as to ensure that the provider is capable of providing the appropriate level of services;

1.4. the conclusion of a contract between the credit institution and the service provider, which shall set out in detail the terms and the obligations of both parties and shall, in particular, provide for:

1.4.1. a clear description of the outsourced activity, the quality and the performance level of the service, as well as the consequences of the provider's failure to abide by what has been agreed. Moreover, the contract shall explicitly consider that the provider shall comply with the appropriate codes of conduct and ethics and shall ensure that, in carrying out the outsourced activity, the provider shall take due care so as not to give the impression that it acts on its own behalf, but that it acts on behalf of the credit institution;

1.4.2. the need to observe and protect the confidentiality of the information concerning the credit institution and/or its customers against any intentional or unintentional disclosure to unauthorised persons;

1.4.3. a description of the procedures of the internal control, the contingency plan and other risk management measures that the service provider must take;

1.4.4. the credit institution's free access to the financial statements, internal and external auditors' reports, as well as the records of the service provider, or any information concerning the outsourced activity;

1.4.5. the Bank of Greece's potential to have access to financial data concerning the outsourced activity and carry out on-site inspections so as to verify the consistent compliance with the credit institution's obligations according to the supervisory framework in force and the service provider's legitimate performance of these obligations; and

1.4.6. the way of management of possible disputes, amendments to the original contract and discontinuance of cooperation between the credit institution and the service provider;

1.5. the establishment of an overall outsourcing risk management plan, which shall provide, inter alia, that:

1.5.1. the financial condition of the service provider and the procedures it applies in carrying out the outsourced activities (with a focus on audit and contingency procedures) are monitored on a continuous basis and that the service provider is evaluated on the basis of predefined qualitative and quantitative criteria. The senior management of the credit institution shall appoint the unit, which is competent for the abovementioned tasks, and shall ensure its staffing with specialised staff and the required training of this staff. The implementation of the contract and the observance of the relevant procedures shall be subject to control by the Internal Control Unit;

1.5.2. the service provider keeps the required by the credit institution records concerning the outsourced activity, so as to enable their control by the credit institution's internal and external auditors as well as by the competent supervisory authorities.

1.5.3. a contingency plan is in place for the reincorporation of the outsourced activity by the credit institution or its transfer to another service provider in the event that the service provider is unable to perform its contractual obligations, with a view to ensuring the smooth operation of the credit institution.

2. An activity that, according to the above provisions, has been initially outsourced to an independent professional or to an entity by the credit institution may be sub-outsourced provided that the relevant possibility is provided for in the contract concluded between the credit institution and the service provider and that all the above conditions will be ensured under the credit institution's responsibility. In these cases the credit institution shall evaluate and take due care about the risk of the original provider defaulting on its contractual obligations, in case the responsibility rests with the final sub-provider.