

GOVERNOR'S ACT No. 2577/9.3.2006

RE: Framework of operational principles and criteria for the evaluation of the organisation and Internal Control Systems of credit and financial institutions and relevant powers of their management bodies

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

- a) Emergency Law 1665/1951 "Banks' operation and control", as currently in force;
- b) Article 1 of Law 1266/1982 "Authorities responsible for the conduct of monetary, credit and exchange rate policies and other provisions";
- c) Articles 18, 21 and 22 of Law 2076/1992 "Taking up and pursuit of the business of credit institutions and other relevant provisions", as currently in force;
- d) Article 55^A of the Bank of Greece's Statute, concerning its supervisory powers and the imposition of sanctions;
- e) the provisions of Law 3016/2002 on corporate governance;
- f) the provisions of Bank of Greece Governor's Act 2438/6.8.1998 "Framework of operational principles and criteria for the evaluation of Internal Control Systems of credit institutions and specification of the tasks and responsibilities of credit institutions' internal control bodies", as amended by decisions 154/9/18.7.2003 and 193/1/11.3.2005 of the Banking and Credit Committee;
- g) the provisions of Bank of Greece Governor's Act 2563/19.7.2005, regarding the data reporting by credit institutions to the Bank of Greece for monitoring solvency, liquidity and efficiency;
- h) the provisions of Law 2331/1995, as amended by Law 3424/2005 on prevention of the use of the financial system for money laundering and the relevant Administration's Circular 16/2.8.2004;
- i) the need not to overlap with the specific provisions on internal control systems (Law 3016/2002 and relevant letter No. 2453/3.6.2003 of the Hellenic Capital Market Committee);
and
- j) the need to adapt the principles and criteria that govern credit and financial institutions' internal control systems to supervisory developments, as well as to further specify individual issues, notably relating to risk management and compliance with the institutional and regulatory framework in force,

HAS DECIDED TO:

1. Establish the basic general principles and criteria that each credit institution and the financial institutions supervised by the Bank of Greece should comply with in order to ensure that they have, on both an individual and a group basis, an effective organisational structure and an adequate Internal Control System (ICS), including Internal Audit, Risk Management and Compliance functions; and
2. Point out that the best principles of corporate governance are an integral part of credit and financial institutions' ICSs.
3. The adequacy of credit institutions' organisational structure and ICS shall be evaluated by the Bank of Greece pursuant to Article 18 of Law 2076/1992, as currently in force, according to the principles set out in this Act.

I. INTRODUCTION

A. Scope

1. The provisions of this Act shall apply:
 - 1.1. To all credit institutions established in Greece, including their branches abroad.
 - 1.2. To all financial institutions authorised and supervised by the Bank of Greece on an individual basis. All references in this Act to credit institutions, concerning requirements on an individual basis, shall also be understood as references to financial institutions as well.
2. On a group basis, according to the specific provisions of Chapter III "Basic principles and criteria applicable on a group basis".
 - 3.1. The branches of credit institutions established in a European Economic Area (EEA) Member State shall not fall within the scope of this Act, as well as the branches of credit institutions established in non-EEA countries, provided that the Bank of Greece has recognised that they are subject to an equivalent supervisory regime, in accordance with the provisions of Bank of Greece Governor's Act 2461/2000, as currently in force.
 - 3.2. The above exception shall not extend to provisions on:
 - 3.2.1. the procedures for the prevention and suppression of money laundering and financing of terrorism;
 - 3.2.2. the procedures for ensuring transactions' transparency and the adequacy of customers' information; and
 - 3.2.3. any other requirement reserved for the authorities of the host country under the legislation in force.

3.3. The branches of foreign credit institutions shall put at Bank of Greece's disposal the internal control procedures they apply, as well as the findings of the controls conducted by the supervisory authority of the country of the head office and the external auditors with respect to the branch's activities referred to in par. 3.2 above.

B. Definition and aims of an Internal Control System

1. An Internal Control System is a set of control mechanisms and procedures that covers all the activities of a credit institution on an ongoing basis and is designed to contribute to its effective and sound operation.
2. Specifically, it is aimed at achieving notably the following objectives:
 - 2.1. consistent implementation of the institution's business strategy through efficient use of available resources;
 - 2.2. identification and management of the undertaken risks, including operational risk;
 - 2.3. ensuring comprehensive and reliable data and information that are necessary for the accurate and timely determination of the credit institution's financial position and the production of reliable financial statements;
 - 2.4. compliance with the institutional framework that governs the operation of the credit institution, including internal regulations and rules of ethics; and
 - 2.5. prevention and avoidance of errors and irregularities that may put at risk the reputation and interests of the credit institution, its shareholders and customers.

II. BASIC PRINCIPLES AND CRITERIA FOR THE ASSESSMENT OF THE ICS ORGANISATIONAL STRUCTURE

General provisions

1. Every credit institution shall establish a written, well-documented Business Strategy, approved by its Board of Directors, with a time horizon of at least one year and with clear objectives for both the credit institution and the group led by it, featuring in particular:
 - 1.1. a priority list of current and future operational goals;
 - 1.2. a transparent structure and adequate documentation of its domestic and foreign business activities and proper references that allow the comprehension of the structure of the credit institution and the group, the control by the supervisory authorities, as well as the implementation of the adopted risk management policy on a group basis;

- 1.3. a budget concerning the type and size of activities and the expected financial results; and
 - 1.4. the acceptable limits and the types of risks to be undertaken, the assumptions on which their assessment is based and their relevant coverage by own funds.
2. An effective ICS should:
- 2.1. be adequately documented and laid down in detail with respect to the control areas and procedures;
 - 2.2. be properly adjusted to the scope, the size, the risks and the complexity of activities of the credit institution, the group as a whole and the subsidiaries, as well as to specificities of the countries in which it carries on its business;
 - 2.3. fully cover all the activities and transactions of the credit institution;
 - 2.4. enable the control of outsourced activities according to Annex 1 of this Act;
 - 2.5. be supported by an integrated management information system (MIS) and a communication system with clearly defined hierarchical reporting lines that allow the timely flow and the reliability of information needed by every officer or management body for the execution of its duties;
 - 2.6. provide for regular and/or ad hoc controls by the competent bodies or units for the ascertainment of all units' compliance with rules and procedures;
 - 2.7. contain coherent control mechanisms for the credit institution and its group; and
 - 2.8. provide for procedures for the assessment of its adequacy, according to the following criteria:
 - 2.8.1. the consistent application of procedures;
 - 2.8.2. the quantitative and qualitative impact from violations of security rules or errors or omissions in their application; and
 - 2.8.3. the existence of mechanisms for promptly revising procedures to address any shortcomings verified during regular or ad hoc assessments.
3. The Bank of Greece considers particularly useful the development of self-assessment methods by units, subject to the adoption of documented objective criteria and their final assessment by the Internal Audit Unit.

Organisational structure – procedures

4. In order to ensure the existence of an effective organisational structure and an adequate ICS for every activity, a detailed description and a clear determination of the powers and responsibilities of each unit and Committee involved, as well as the relevant authorisation procedures is required. In particular, there should exist:

4.1. detailed and documented procedures for the conduct of each type of operation, to be communicated to the competent staff in charge of execution and control of the particular operation;

4.2. appropriate control mechanisms incorporated into all the conduct regulations of the credit institution, ensuring that all operations are valid and legitimate, have been carried out according to all the operational rules of each unit, evaluated for the inherent risks, handled by duly authorised and readily identifiable personnel, filed in records as appropriate in each case and entered in the management information system;

4.3. direct or indirect involvement of at least two staff members in each activity or control function (four eyes principle) until its completion. By way of exception to the preceding sentence, the credit institution may, after evaluating the level of risks, lay down simplified documented procedures for certain types of transactions by setting specific limits or other qualitative characteristics; and

4.4. (at least) advisory participation of the Internal Audit, Risk Management and Compliance Units in the design of new products and procedures, in issues relating to business decision-making, as well as the estimation of the operational risk that may arise in cases of important changes (mergers, acquisitions etc.), with a view to adopting the proper control and risk management mechanisms and ensuring compatibility with the applicable rules.

Personnel, segregation of duties and conflicts of interests

5. Human resources management and continuing education procedures are laid down by establishing the most advisable employment and promotion criteria with a view to ensuring that each post, operation or responsibility is staffed by personnel with all the appropriate knowledge and skills.

6. The remuneration of executives, in particular those involved in goods and services provision or in managing the institution's disposable funds, shall be determined by taking into

account in a consistent way the need not to provide disincentives for assuming excessive risks or pursuing short-term profits.

7. Efficient segregation of duties shall be ensured by adopting appropriate procedures to prevent the existence of non-compatible roles or interests among the members of the Board of Directors, Senior Management and executives, as well as between them, the credit institution and customers, and the illegitimate use of confidential information or assets. To this end, the best international corporate governance practices, the relevant provisions of the stock exchange legislation, the Code of Conduct on Investment Services, as well as any relevant decisions of the supervisory authorities shall be taken into account.

8. The administrative structure and hierarchical reporting lines shall be appropriately diversified so as to ensure the independence, on the one hand, of auditors from the operations being audited and the staff handling them and, on the other hand, of risk management from risk assumption operations and the personnel handling them, so that:

8.1. the functions of reception and processing of customers' requests, promotion and placing of banking products to the public (credits, deposit and investment products), negotiation and in general carrying out of transactions (front line) are administratively and operationally separated from the functions of approval of requests, confirmation, recording and settlement of transactions, as well as safekeeping of securities or other assets of the credit institution or customers; and

8.2. in the same way, risk management and control functions are separated from each other as well as from the above mentioned functions.

9. Systematic control of access to assets, accounting data and in general confidential information, and shall be ensured by granting such access only to duly authorised persons.

10. Appropriate procedures established by the credit institution shall allow the submission of anonymous reports and protect the employees that report to the Board of Directors or the Audit Committee (or, where it does not exist, the authorised officer of the Internal Audit Unit) serious irregularities, omissions or offences that have come to their attention.

Transactions with persons specially related to the credit institution

11. With respect to transactions with legal or natural persons specially related to the credit institution, within the meaning of Bank of Greece Governor's Act 2563/19.7.2005, as applicable, the credit institution shall ensure that:

11.1. the existence of detailed written provisions and procedures for any kind of credit to or holdings in, persons specially related to the credit institution is laid down in detail, so that:

11.1.1. the relevant credit conditions do not differ from generally applicable conditions applied to the relevant categories of financing; and

11.1.2. any holding in or credit to, the above persons is approved in advance by the Board of Directors or the General Assembly of shareholders of the credit institution, where it is required by law.

12.1. To facilitate the smooth financing of the operation of the undertakings, which are included in the persons specially related to the credit institution, as mentioned above, the Board of Directors may set a reasonable credit limit, up to which a simple notification of the relevant credit to the Board of Directors and not a prior approval by it is required.

12.2. Persons specially related to the credit institution and referred to in the preceding paragraph shall notify to the Board of Directors of the credit institution the total of the outstanding amount of credit obtained from undertakings affiliated with the credit institution, within the meaning of Article 42e of Law 2190/1920, as currently in force, within 20 days from the end of every calendar year (This requirement shall be in addition to the credit institution's data reporting to the Bank of Greece).

Services provided to customers

13. To ensure the provision of appropriate services to customers, as an integral part of operational risk management, credit institutions shall:

13.1. adopt best practices in the provision of goods and services which best correspond to the characteristics of the customer;

13.2. monitor and evaluate customer service, in particular how the terms and conditions of transactions are communicated to the public and agreed upon (in individual cases), according to the provisions in force, especially the consumer protection legislation;

13.3. establish appropriate procedures for reviewing customer complaints, according to the provisions of Bank of Greece Governor's Act 2501/31.10.2002, as currently in force, as well as the other relevant provisions of law;

13.4. safeguard the interests of customers and protect their personal data against unauthorised use. Credit institutions shall put at the Bank of Greece's disposal any

authorisation granted by other competent authorities for the legal use of such data. Customers' assets shall be kept and recorded in a detailed manner and separately from similar assets of the credit institution; and

13.5. control on a regular basis of the application of customer identification procedures.

Prevention and suppression of money laundering and financing of terrorism

14.1. Pursuant to the anti-money laundering and anti-terrorist financing framework, credit institutions shall establish appropriate policies and procedures, specified by documents and circulars of the Bank of Greece, which shall be consistent with their target customers, countries of activity and transaction networks, as well as IT support to evaluate their customers in terms of the risks they represent and their relevant management.

14.2. Procedures shall be established to identify transactions inconsistent with credit institutions' information on their customers and their transaction behaviour, investigate and report them, where required, with proper documentation and adequacy.

14.3 Preventive measures in this area shall be governed by the same principles applied to other risks and be adapted to the size and form of the credit institution. Specifically, they shall ensure that:

14.3.1. officers and the competent units understand the risks inherent in individual or combined categories of customers and transactions, as well as the relevant policies and procedures that shall be applied;

14.3.2. credit rating criteria apply to the conclusion of agreements with customers, the customers' risk profile and the further monitoring of this relation (activity); and

14.3.3 to enhance the effectiveness of the relevant policy, methodologies shall be evaluated on an annual basis and the training of the authorised employees shall be adapted to new conditions and practices.

Risk management

15. Every credit institution shall have a documented policy and procedures relevant to its business strategy in relation to:

15.1. the undertaking, monitoring and management of risks (market, credit, interest rate, liquidity, operational risk etc.) and the differentiation of transactions and customers according to the risk level (such as by country, occupation, activity);

15.2. the determination of the maximum acceptable exposure limits for each type of risk as a whole, setting more specific limits by customer, sector, currency, business unit etc; and

15.3. the setting of stop loss limits for discontinuing loss-making activities or of other remedial actions,

which shall be advised in a timely manner and in writing, in the form of specialised targets or guidelines, where necessary, to all the authorised bodies that are involved in the processes of undertaking (risk owners), monitoring, hedging and mitigating risks.

16. Risks shall be reviewed on an annual basis and high-risk areas or complex transactions defined by the credit institution as well as problem loans shall be reviewed more frequently.

17. For the design, development and monitoring of their risk policy, credit institutions shall constitute a specialised and independent risk management function, covering the credit institution's entire range of activities and all types of risks, including operational risk.

18. Documented procedures shall be established, with a view to:

18.1. regularly identifying material or unexpected changes in risk factors (economic aggregates, market developments, legal environment etc.), evaluating and reporting them to the competent bodies for possible corrective action, in particular when they lead to exceeding the acceptable limits.

18.2. mitigation (hedging, transfer, insurance) and recognition in the income statement of any loss; and

18.3. pricing of financial products and services and regular revaluation, to ensure that all cost factors, the competition and the risks undertaken in relation to expected returns are taken into consideration.

19. Any expansion to new financial products or services shall be preceded by:

19.1. a well-documented decision on the incorporation of the product or service into the credit institution's growth strategy;

19.2. a precise identification of the possible risks that such expansion may entail, including operational risk; and

19.3. a full incorporation of any new controls and procedures or adjustment of the existing ones into the risk management and internal control system.

20.1. In issues relating to business decision-making to assume major risks (lending, restructuring of existing loans, holdings, investments etc.), or risks are not subject to

predefined factors and to set relevant risk exposure limits, the participation of at least the competent unit and the Risk Management Unit shall be ensured.

20.2. The documented internal procedures approved by the Board of Directors shall fully determine the extent to which final decisions (see above par. 20.1.) take into account the recommendations of the Risk Management Unit. The Bank of Greece shall appreciate it if the importance attached to such recommendations escalates according to the height and the complexity of the undertaken risks (veto power, increased weight, simple participation in majorities etc.).

20.3. Recommendations recorded in the minutes shall be provided upon request to Bank of Greece's competent examiners, pursuant to the provisions of law (Article 4 of L.D. 588/1948 and Article 4 of Emergency Law 1665/1951).

Accounting systems

21.1. The accounting systems of a credit institution shall produce true and fair information both for financial reporting and for management or decision making purposes, as well as ensure the reliability of annual or interim financial statements, according to the applicable GAAPs as provided for in the law.

21.2. Specifically, to ensure that the above general principles are adhered to and to enhance both the comparability of financial information and the effectiveness of supervision, credit institutions should apply the International Accounting/Financial Reporting Standards (IAS/IFRS).

21.3. Accounting entries with respect to every transaction or set of similar transactions shall be duly controlled and reconciled in accordance to the credit institution's own internal rules. After evaluating the level of risks involved, a credit institution may, exceptionally, determine specific thresholds for transactions, such as small cash desk transactions, for which no additional controls may be required prior to their processing for their recording or further processing in the accounting systems.

21.4. Approved and legitimate transactions shall be recorded accurately and in a timely manner in the accounting system, with all the details required under the accounting practice and standards in force.

21.5. Both the initial recognition and the subsequent measurement of every asset or liability, as well as their impact on the credit institution's profit and loss account or equity, shall conform to the accounting standards in force.

21.6. Open positions from transactions that involve market risk shall be reconciled at least every month.

21.7. Appropriate procedures shall be established to ensure the systematic and secure keeping of records for no less than the minimum time period provided for in the law, in a way that allows subsequent access and verification (by building-in audit trails), the reproduction of transactions in chronological order, the support of book entries by relevant original documents and the documentation of changes in accounts' balances, by means of appropriate information on the book entries involved.

21.8 Regular as well as ad hoc audits of accounting entries shall be performed, to monitor compliance with the approved asset and liability recognition, measurement and valuation methods.

21.9. With respect to regulatory reporting filled with supervisory authorities, the reporting institution shall ensure that financial data included in the reports :

21.9.1. are complete, reliable and are derived from the accounting systems or in the unlikely case that are not (purely prudential information including estimates) that information is correct and adequately documented; and

21.9.2. are submitted to the competent authorities within the prescribed deadlines.

21.10. Documented procedures shall be in place for the selection and procurement of hardware and software products, as well as for the appointment of adequately qualified staff, taking into consideration current and expected future operational needs, the prospects of development in the size and nature of business in conjunction with the credit or financial institution's financial means and constraints in order to ensure effective accounting and IT support.

21.11 Back-up files and systems shall be provided, to ensure the credit institution's business continuity (Chapter IV – Section (a) – par. 2.8.2).

21.12 The Bank of Greece expects credit institutions to apply the necessary systems for monitoring each customer's business transactions in total and in particular their credit exposures and deposits balances, so as to ensure both effective risk management and the proper reporting of information required by supervisory or other authorities such as the Hellenic Deposit Guarantee Fund and other bodies.

Information systems

22.1 The operation of information systems is aimed on the one hand at effectively supporting the business strategy of the credit institution and, on the other hand, at ensuring the safe

traffic, processing and storage of crucial operational information. At the same time, credit institutions' increased use of information systems, in conjunction with the outsourcing of important information projects, amplifies specific risks, notably operational risk. Such risks must be determined, identified in a timely manner and addressed effectively.

22.2 In the context of effective information risk management system, credit institutions shall implement effective and secure operational principles concerning their information technology systems, referred to in Annex 2.

Compliance function

23.1 The credit institution's Board of Directors shall ensure the existence of a compliance policy and of an effective system for its application, which will be assessed by the Board once a year. The compliance policy shall aim at:

23.1.1. addressing the consequences from any failure of the credit institution, the companies of its group and the entities to which activities have been outsourced (Annex 1) to comply with the applicable legal and regulatory framework, as well as the codes of conduct to which credit institutions have acceded; and

23.1.2. managing conflicts of interests. Such assessment shall not include an assessment of the adequacy and effectiveness of the competent units.

23.2 To implement this policy, a Compliance Function or Unit shall be established, as specified in Chapter V – Section (c).

III. BASIC PRINCIPLES AND CRITERIA APPLICABLE ON A GROUP BASIS

1. Credit institutions shall take all necessary measures to effectively incorporate into their group's strategy, in organisational and ICS-related issues, the financial entities (including insurance companies) that are controlled by them, within the meaning of Art. 2 of Law 2076/1992, as currently in force, or that are subject to consolidated supervision according to P.D. 267/1995, as currently in force, and are consolidated with the full or proportional consolidation method. Specifically, they shall ensure that:

1.1. the systems and procedures applied by the above entities, as well as by newly-acquired entities (following mergers and acquisitions), are mutually compatible and adapted to both the needs of the group's organisational structure and the specific characteristics of each company of the group, or that a realistic adaptation schedule on a case-by-case basis has been established;

1.2. major risks are monitored and controlled on a group basis; and

- 1.3. the above entities have adequate data reporting procedures for supervision on a consolidated basis and for the exercise of the powers provided for by this Act and notably for the implementation of the new capital adequacy framework (Basel II).
2. To enhance the effective application of the above general principles, the Committees and units provided for by this Act or established by credit institutions themselves shall express their opinion on the selection and appropriateness of the heads of the relevant units of subsidiaries and evaluate the effectiveness of such units.
3. The Board of Directors of the parent credit institution shall ensure, through proper coordination and agreements, that the oversight and common strategy powers do not prejudice the responsibilities of the subsidiaries' management bodies and do not lead to unnecessary overlaps. Moreover, it shall allocate responsibilities, take coordination measures and delegate, where necessary, specific powers to the group's companies in relation to the management of, in particular, major risks, internal control and the compliance function, as well as the implementation of the provisions on the prevention and suppression of money laundering and financing of terrorism.
4. It should be specified that:
- 4.1 With respect to non-financial entities included in the credit institutions' consolidated financial statements, the credit institution shall take appropriately adjusted measures to ensure the achievement of the objectives of this Act on a group basis; and
- 4.2 Where the corporations controlled by the credit institution and referred to in par.1 above are established outside Greece, any important incompatibility on a group basis arising from the application of the national provisions of the host country shall not be considered *per se* as a violation of the provisions hereof. However, the Bank of Greece shall be informed by the parent credit institution it supervises about the measures taken to address such situations and shall evaluate their appropriateness, notably with respect to the prevention and the suppression of money laundering and financing of terrorism.

IV. ICS MANAGEMENT BODIES

A. Powers of the Board of Directors and Senior Management

1. Irrespective of the credit institution's organisational structure:
- 1.1 The Board of Directors, as a whole, shall have adequate knowledge and experience in at least the most important activities of the credit institution, so that it can supervise

all operations, either directly or through Committees established compulsorily or at the discretion of the credit institution under this Act. The credit institution shall ensure that the Board of Directors includes at least one or, where the condition of par. 2.2 of Section B of this chapter is met, two non-executive and independent members.

To prevent conflicts of interests, the Bank of Greece considers that credit institutions should adopt the best international practices and principles of corporate governance, concerning notably the separation of the Board of Directors' executive and supervisory powers, including the separation of the powers of the Board's Chairman from the executive powers of the Managing Director.

2. The Board of Directors shall be, generally, responsible for the consistent application of the provisions of this Act, including the responsibility for:

2.1. the strategic orientation of the credit institution, its review and the adoption of appropriate policies to ensure the adequacy and effectiveness of the ICS;

2.2. ensuring that there is an appropriate risk management policy by determining the maximum acceptable exposure limits for each type of risk as well as an appropriate compliance policy;

2.3. establishing an appropriate environment within the credit institution ensuring that all officers at all hierarchical levels understand both the nature of every risk inherent in the activities in which they are engaged or oversee and the need to address them effectively, recognise the importance of audit procedures and facilitate their implementation;

2.4. adopting a Code of Ethics that is applied by the Senior Management and the staff of the credit institution on the basis of the generally acceptable principles (diligence, effectiveness, responsibility, decency in the relations with the public, non-offering or accepting benefits of exceptional value, professional secrecy etc);

2.5. providing the Senior Management and the operational units with all the means required for the performance of their tasks;

2.6. the accuracy of the annually and periodically published financial statements of the credit institution and the group, on an individual and a consolidated basis respectively, as well as of the data reported to the Bank of Greece and the other supervisory authorities;

2.7. ensuring that the operation of the credit institution is compatible with the regulatory framework, internal rules and the principles of corporate governance by

taking appropriate measures in the selection or replacement of officers in key positions; and

2.8. ensuring the existence of documented procedures (assignment and coordination of certain roles, persons authorised to communicate with the Bank of Greece or other authorities, alternative sources for meeting liquidity requirements etc.) that ensure:

2.8.1. the management of emergency situations that jeopardise the smooth operation of the credit institution; and

2.8.2 disaster recovery and business continuity.

3. The Senior Management, understood for the purposes of this Act as the supreme executive body of the credit institution, shall be responsible, inter alia, for:

3.1. consistently implementing the business strategy approved by the Board of Directors and specifying it by formulating function-specific policies and setting goals for each area of activity, management body and unit. In this context, the following shall be included:

3.1.1. the implementation of risk management policy approved by the Board of Directors;

3.1.2. the determination of each unit's limits and powers in risk management and the evaluation of its performance; and

3.1.3. the continuous control and management of the risks undertaken by the credit institution within the exposure limits approved by the Board of Directors.

3.2. developing and integrating the appropriate internal control mechanisms and procedures, according to the credit institution's size and nature of activities, as well as regularly evaluating the impact from important malfunctions and the ICS' effective implementation in general.

B. Committees of the Board of Directors or of the Senior Management

1. General Conditions

1. According to the size of the credit institution and the complexity of its activities, the Board of Directors shall be assisted in its work by Committees, to which it may assign ICS-related powers, specifying their duties, composition and operational procedures and ensuring in any case their coherence, complementarity and coordination. The Board of Directors shall have the ultimate responsibility for these powers, unless the legal provisions explicitly provide for an increased degree of independence vis-à-vis the Board of Directors for specific

powers (e.g. those delegated to the Audit Committee), of which the Bank of Greece shall be notified. The Board of Directors shall appoint the chairmen of the Committees from among its members and shall determine the Committees' membership rotation frequency. The relevant decisions shall be recorded in the Board's minutes.

2. To ensure a level playing field for credit institutions and effectiveness, without prejudice to the applicable provisions of the legislation on the establishment of Committees by the Board of Directors:

2.1. Credit institutions shall compulsorily establish an Audit Committee (Section 2a of this chapter), provided that:

2.1.1. their shares are listed in an organised market; or

2.1.2. they have subsidiaries or branches abroad; or

2.1.3. their assets exceed the amount of €100 million.

2.2 A Risk Management Committee shall compulsorily be established (Section 2b of this chapter), provided that one of the conditions of par. 2.1.1. and 2.1.2. of this chapter are met and that the on- and off-balance-sheet assets of the credit institution exceed the amount of €10 billion.

By way of derogation from the above provisions, the credit institution may delegate, after justifying to the Bank of Greece this choice, the powers of the said Committee to at least one executive and one non-executive member of the Board of Directors with adequate knowledge and experience in risk management issues.

2.3 The credit institution shall not be required to establish a Risk Management Committee where the relevant duties are performed at the group level by such a Committee that also covers the credit institution.

2.4. Other Committees

2.4.1. Credit institutions that do not meet the conditions of par. 2.1 and 2.2 above may decide to establish similar bodies according to the cost/benefit analysis and efficiency principle, which shall be notified to the Bank of Greece.

2.4.2. In this context, credit institutions may also establish additional Committees, an Executive Committee(s) at the senior management level, delegate further powers to the Risk Management Committee or special powers to the Asset and Liability Committee (ALCO), a Remuneration Committee etc.

2.4.3. The establishment of an IT Steering Committee, the chairman of which should be a member of the Senior Management, shall be governed by the provisions of Annex 2 (Chapter A1, par. 2). The Board of Directors shall have the

discretion to delegate the power to the IT-related risk, assessment, analysis and management to the said Committee or the Risk Management Committee, if any.

2. Powers

a) Audit Committee

1.1. The Audit Committee (AC) shall be appointed by the Board of Directors and consist of at least three non-executive members. Of the said three members, at least one shall be independent, within the meaning of Law 3016/2002, and have adequate knowledge and experience in accounting and auditing issues.

1.2. In the case of credit institutions that are subsidiaries of credit institutions (established in Greece or abroad), the participation in the AC of executive members of the Board of Directors of the parent company, without prejudice to the laws in force, shall not contravene the above provision.

2.1. The members of the Committee shall not hold other posts or carry out transactions that may be considered incompatible with the AC's mandate. Membership in the AC shall not exclude a member from participating in other Board of Directors' Committees.

2.2. The chairman of the AC shall have the knowledge and experience required to oversee the auditing procedures and accounting issues handled by the Committee. At the same time, the members of the AC, as a whole, shall have the knowledge and experience required to perform their tasks, including knowledge of the wider environment of operation of the credit institution (in Greece and abroad) and IT systems.

2.3 The operation of the AC shall be governed by a regulation, which shall set forth the term, membership, rotation frequency, decision-making procedures and its main duties, including:

2.3.1. monitoring and evaluating on an annual basis the adequacy and effectiveness of the ICS, on an individual and a group basis, where the credit institution is a parent company, on the basis of the relevant data and information of the IAU, the findings and remarks of external auditors (statutory certified public accountants) as well as the supervisory authorities;

2.3.2. overseeing and evaluating the procedures (see also powers of the Board of Directors) for preparing the annual and, if required, periodical published financial statements of the credit institution and the group according to the applicable accounting standards;

2.3.3. overseeing the audit of the credit institution's annual financial statements by the statutory certified public accountants and cooperate with them on a regular basis. In

the context of this cooperation, the Committee shall request the auditors to report any problems or weaknesses in the ICS identified by them during the audit of the annual financial statements according to the Greek auditing standards in force;

2.3.4. recommending the external auditors (i.e. statutory certified public accountants) to the Board of Directors. The AC shall also recommend, where appropriate, their replacement or rotation;

2.3.5. ensuring the independence, according to the legislation in force (currently Article 12 of Law 3148/2003), of the certified public accountants;

2.3.6. recommending measures for addressing the weaknesses identified and monitoring the implementation of the measures adopted by the Board of Directors;

2.3.7. making recommendations on specific areas where additional audits should be carried out by internal or external auditors; and

2.3.8. evaluating the work of the IAU, focusing on issues relating to its independence, quality and scope of audits performed, priorities defined according to changes in the economic environment, systems and level of risks, and its overall effective operation.

3.1. The AC shall meet in regular session at least once per quarter, or in ad hoc session. It may invite to its meetings members of the Senior Management and any other officer or expert the presence whereof is required in its opinion. The AC shall keep minutes and inform the Board of Directors in writing on the results of its auditing work.

3.2. The chairman of the AC shall also inform the Board of Directors on the work of the AC during Board meetings.

4.1. Every credit institution shall appoint on a periodic basis, at least every three years, on a recommendation from the AC, independent certified public accountants (other than the statutory ones) having the experience required to evaluate the adequacy of the ICS on an individual and a consolidated basis, according to the provisions of Annex 3 of this Act. The relevant assessment report shall be communicated to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) within the first semester after the end of every three-year period. The audit firm and the independent certified public accountants that are assigned with this task shall change at least after two consecutive assessments.

4.2. Statutory certified public accountants and the independent certified public accountants that carry out the triennial assessment, when assigned with their tasks, shall be authorised to inform the Bank of Greece under Articles 18 and 21 of Law 2076/1992, as currently in force.

5. The information and findings of the external auditors of the credit institution's financial statements shall be discussed on a trilateral basis, between the credit institution, the

external auditors and the Bank of Greece, and, in special circumstances, on a bilateral basis, between the external auditors and the Bank of Greece (with a relevant communication to credit institutions), according to the provisions of the applicable Greek Auditing Standard on communication with regulatory and supervisory authorities.

b) Risk Management Committee

1.1. The Board of Directors shall delegate, according to the provisions of par. 2.2 – Section B.1 of Chapter IV, the risk management-related powers to a Risk Management Committee (RMC) (or, alternatively, to two members of the Board of Directors, as mentioned in the second indent of par. 2.2 – section B1 of Chapter IV), so as to adequately cover all risks, including operational risk, and ensure risk control on a consolidated basis, their individualised treatment and the required coordination on credit institution's level and on a group basis.

1.2. The RMC shall be appointed by the Board of Directors and consist of those of its members with adequate knowledge and experience in risk management, at least one of whom shall be executive and one non-executive.

2.1. The operation of the RMC shall be governed by a regulation, which shall set forth its term, membership, rotation frequency, decision-making procedure and main duties, including to:

2.1.1. formulate a risk assumption and asset management policy according to the business objectives of the credit institution, on both an individual and a group basis, and to the adequacy of available resources for technical means and staff.;

2.1.2. ensure the development of an internal environment conducive to risk management and its incorporation into the business decision-making process (e.g. decisions concerning launching and risk adjusted pricing of products and services, calculation of returns and capital allocation in relation to risk) across all the activities/units of the credit institution and its subsidiaries;

2.1.3. lay down the principles governing risk management with respect to risk identification, forecasting, measurement, monitoring, control and management, in consistence with the applicable business strategy and the adequacy of available resources; and

2.1.4. receive and evaluate the quarterly reports of the Risk Management Unit, inform the Board of Directors on the most important risks assumed by the credit institution and assure it of their effective management. Credit institutions not subject to material changes in their activity structure may carry out such evaluation less frequently.

2.2. At all events, however, the RMC shall evaluate on an annual basis:

2.2.1. the adequacy and effectiveness of the credit institution's and the group's risk management policy, notably compliance with the determined level of risk tolerance, and

2.2.2. the appropriateness of limits, the adequacy of provisioning and capital adequacy in general, in relation to the size and form of undertaken risks,

at least on the basis of the annual report of the head of the Risk Management Unit and the relevant section of the IAU's report (Chapter 5 – Section (a) – par. 2.13.2.b-d).

2.3. The RMC shall carry out, at least on an annual basis, stress tests of market, credit, liquidity risk and use similar techniques for operational risk.

2.4. The RMC shall make proposals and recommend corrective action to the Board of Directors if it considers impossible the implementation of the credit institution's risk management strategy or has identified divergences in its implementation.

3. The RMC shall meet in regular session at least once per quarter, or in ad hoc session, and shall invite any members of the Senior Management or any officer the presence whereof is required in its opinion. The RMC shall keep minutes and inform the Board of Directors in writing about the results of its work.

4. The chairman of the RMC shall also inform the Board of Directors on the Committee's work during Board meetings.

V. OPERATIONAL UNITS

a. Internal Audit Unit

1. All credit institutions shall establish an Internal Audit Unit (IAU), which shall:

1.1. be independent from executive units and from units executing and recording of the transactions in the accounting system; and

1.2. report, on its tasks, to the Board of Directors through the AC and directly to the Senior Management, after determining the appropriate requirements which shall ensure the independence of the IAU;

2. The main tasks of the IAU shall include:

2.1. the conduct of audits in order to form an objective, independent and documented opinion on the adequacy and effectiveness of the ICS, at the level of credit institution and within the group headed by it;

- 2.2. the conduct of special audits, in case there are indications that the interests of the credit institution or of the group's companies are damaged, in order to investigate the matter in depth and verify the extent of the damage, if any;
- 2.3. the evaluation, through the audits conducted, of the degree of implementation and effectiveness of procedures, which have been established for risk management and for the assessment of the parameters on which the estimation of the credit institution's and, where provided for, the group's companies' capital adequacy is based and the incorporation of the risk management system into the decision-making process (use tests);
- 2.4. the certification, to the Bank of Greece, of the completeness and validity of the above procedures, notably the procedures for the assessment of the parameters, on the basis of which the amount of potential loss is estimated;
- 2.5. the assessment of the organisational structure, the allocation of tasks and duties and human resources management, as well as of the extent to which the appropriate corporate governance policies and procedures have been established;
- 2.6. the assessment of the work of the internal control sections, if any, within the units of the credit institution and the group's companies;
- 2.7. the assessment of the organisation and operation of the systems and mechanisms which are necessary for the supply, if available, of credible, complete and timely financial and managerial information;
- 2.8. the assessment of the organisation and operation of the accounting and IT systems according to the provisions of Annex 2 (Chapter D);
- 2.9. the assessment of the procedures regarding compliance;
- 2.10. the assessment of the extent to which the collective bodies and units of the credit institution and of the group's companies:
 - 2.10.1. use effectively the instruments and resources available to them for the consistent implementation of the business strategy;
 - 2.10.2. abide by the guidelines and procedures which are established in order to systematically monitor and manage all kinds of risks undertaken (e.g. establishment and observance of limits);
 - 2.10.3. ensure the completeness and accuracy of the data and information required for the preparation of reliable financial statements, according to the accounting principles in force; and

- 2.10.4. ensure the implementation of the appropriate preventive and suppressive control mechanisms and safeguards into all the procedures and transactions executed;
- 2.11. the submission of proposals to remedy any weaknesses identified in the ICS and/or improve the existing procedures and practices, so as to fully achieve the ICS's objectives;
- 2.12. the monitoring of the implementation and effectiveness of remedial measures taken by the audited units of the credit institution and the group's companies for adequately addressing the above weaknesses and the observations written down in the reports of audits of any nature (by internal auditors, external auditors, supervisory authorities, tax authorities etc.), and inform the Senior Management and the AC in this connection;
- 2.13. the reasonable and objective assurance of the Board of Directors and the Senior Management of the credit institution about the achievement of the ICS's objectives with respect to the credit institution and the companies of the group it leads. To this end, the IAU shall:
- 2.13.1. inform in writing the Board of Directors through the AC and directly the Senior Management, at least on a quarterly basis, as well as the competent units of the credit institution on the main findings of the audits and any recommendations;
- 2.13.2. submit, within the first quarter every year, to the Senior Management and, through the AC, to the Board of Directors of the credit institution a report on:
- a) the adequacy and effectiveness of the ICS of the credit institution and the group's companies;
 - b) the effectiveness and observance of risk management procedures and the relevant credit granting procedures, including the provisioning policy (identifying any uncovered risks);
 - c) the adequacy of the procedures in relation to the internal evaluation of the credit institution's capital adequacy;
 - d) the evaluation of the completeness of the procedure or methodology for estimating the depreciation of the loans and other assets, and any possible changes during the year,
- as well as the action plan for the next year;

The section of the report that concerns items (b) to (d) above shall also be submitted to the Risk Management Committee (Chapter IV, Section B2b, par. 2.2).

It should be noted that the said report shall contain at least the corresponding areas/activities referred to in Annex 3 (triennial independent auditors' report). At least the sections of the report that concern the audited units shall be communicated to them immediately so that they may take remedial action.

2.14. the provision to the Bank of Greece, in writing, of any data or information requested under the specific legislation regarding credit institutions' supervision (understood as legislation other than the provisions of Law 3016/2002, L.D. 588/1948, Emergency Law 1965/1951, Law 2076/1992 and Article 55^A of the Statute of the Bank of Greece) that concerns issues within its competence and facilitate the Bank of Greece's work in any possible way. (The provisions of Article 8 of Law 3016/2002 shall apply to all other supervisory authorities.)

3. For the effective exercise of its powers, the IAU shall:
 - 3.1. have access to all the activities and units, as well as to all the data and information of the credit institution and the group's companies; and
 - 3.2. employ experienced and sufficient staff, with full-time and exclusive occupation, that shall not be subordinate to any other unit of the credit institution. The Bank of Greece may waive the requirement for exclusive occupation in certain categories of credit institutions according to the principle of proportionality.
4. The head of the credit institution's IAU shall:
 - 4.1. Be appointed by the Board of Directors (after a recommendation by the AC, if any), and his/her appointment as well as a possible replacement thereof shall be notified to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions. The Bank of Greece may ask for his/her replacement if it deems that he/she does not meet the suitability and competence criteria to perform his/her duties;
 - 4.2. have a sound scientific background and adequate experience in auditing methods and best international practices;
 - 4.3. be employed on a full-time and exclusiveness basis. The Bank of Greece may waive this requirement in certain categories of credit institutions, taking into account the principle of proportionality;

- 4.4. ensure that the IAU has the appropriate organisational structure and that it implements effective policies, procedures and practices that are consistent with the best auditing practices and internal control standards;
 - 4.5. inform, ex-post, the competent Bank of Greece's bodies on any important changes in the organisation and operation of the IAU;
 - 4.6. supervise and coordinate the activities of the internal control units (if any) of the other units of the credit institution and the group's companies; and
 - 4.7. attend the general meetings of the credit institution's shareholders.
5. The IAU shall be responsible for the control of the implementation of the contracts and the observance of procedures concerning the outsourcing activities (Annex 1 of the present Act)

b. Risk Management Unit

1. All credit institutions shall have a Risk Management Unit (RMU), the operation of which shall be governed by the following principles:
 - 1.1. it shall be independent from executive units and from units that are responsible for the execution or the recording of the transactions in the accounting system and that use its risk analysis; and
 - 1.2. it shall report on matters within its tasks to the senior management and the RMC or, through it, to the Board of Directors.
2. The RMU shall be subject to audit by the IAU with respect to the adequacy and effectiveness of risk management procedures.
3. The RMU shall be responsible for the planning, specification and implementation of the risk management and capital adequacy policy, according to the Board of Directors' guidelines. Specifically, it shall:
 - 3.1 adopt the appropriate methods in order to manage the risks that the credit institution has undertaken or may be exposed to, including the use of models for risk forecasting, recognition, measurement, monitoring, hedging, mitigation and reporting;
 - 3.2. specify (with the cooperation of the competent executive units) the credit institution's exposure limits by identifying/determining specific parameters by kind of risk and category of counterparty, industry, country, currency, credit extension form, financial instrument, equity share, derivative instrument, business area, function, activity, product, system etc. and monitor their observance, establishing appropriate procedures;

- 3.3. establish an early warning system for individual and overall portfolios and recommend appropriate procedures and enhanced vigilance measures, permanent or occasional, according to the nature of risks;
 - 3.4. recommend to the RMC appropriate measures for the adjustment of risks to acceptable levels;
 - 3.5. regularly evaluate the risk identification, measurement and monitoring methods and systems and recommend remedial measures, if appropriate;
 - 3.6. carry out, on an annual basis (with end-of-year or semester data), stress tests, with scenarios adapted to the type of activities of the credit institution and/or after recommendations of the Bank of Greece, for all kinds of risks, notably credit, market, interest rate and liquidity risk, analyse their results, recommend appropriate policies and submit the relevant results to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) within three (3) months after the end of the year or the semester;
 - 3.7. prepare reports on matters within its tasks to inform the senior management and the board of directors, at least on a quarterly basis. Credit institutions not subject to considerable changes in the structure of their activities may do so less frequently; and
 - 3.8. determine the capital requirements and develop methods to estimate them, so as to cover all the risks to which the credit institution is exposed, and recommend capital management policies.
4. To exercise its powers effectively, the RMU shall:
 - 4.1 have access to all the activities and units, as well as to all the data and information of the credit institution and the group's companies that are necessary for carrying out its tasks; and
 - 4.2 employ experienced, specialised and sufficient full-time staff.
 5. The head of the RMU shall:
 - 5.1 Be appointed by the Board of Directors (after a recommendation by the RMC, if any), and his/her appointment as well as a possible replacement thereof shall be notified to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions). The Bank of Greece may ask for his/her replacement if it deems that he/she does not meet the suitability and competence criteria to perform his/her duties;
 - 5.2. have a sound scientific background and adequate experience in risk management methods and best international practices;

- 5.3. participate in the decision-making process on credit standards not subject to predefined or general parameters;
- 5.4. submit on an annual basis to the Board of Directors, through the RMC, a report on matters within the competence of the RMU;
- 5.5. participate in the preparation and submission of recommendations and proposals directly to the Senior Management and, through the RMC, to the Board of Directors regarding changes in the composition of the bank's portfolios, restructuring of existing loans and the alteration of the provisioning policy;
- 5.6. participate in the supervisory authorities' evaluation process of economic and supervisory capital adequacy; and
- 5.7. supervise and coordinate the activities of the risk management units, if any, within the other units of the credit institution and the group's companies.

c. Compliance Unit

1.1 If the credit institution fulfils one of the conditions of Chapter IV – Section B1 – par. 2.1.1. and 2.1.2. or if the total of on- and off-balance-sheet asset items exceed the amount of € 10 billion, the credit institution shall establish a Compliance Unit (CU). Alternatively, the said credit institutions may delegate, after the approval of the Bank of Greece, the relevant duties to authorised employees. The Bank of Greece shall evaluate the provision of this possibility with respect to the complexity of the operations and the risks undertaken by the credit institution.

1.2 In all other credit institutions, the aforementioned duties shall be performed by authorised employees.

2. The said unit (or the aforementioned authorised persons) shall be subordinate to the Senior Management; it/they shall also submit reports on matters within its/their tasks, at least on an annual basis, to the Board of Directors.

3. The said unit (or the aforementioned authorised persons) shall be independent from other organisational units, conflicts of interests shall be prevented within its powers, and it/they shall have unhindered access to all the data and information required to carry out its/their tasks.

4. The CU (or the aforementioned authorised persons) shall be subject to control by the IAU with respect to the adequacy and effectiveness of the compliance procedures.

5. The Compliance Unit (or Function) shall:

- 5.1. be headed by a person experienced in banking and investment activities whose appointment and possible replacement notified to the Bank of Greece. The Bank of Greece may ask for his/her replacement if it deems that he/she does not meet the suitability and competence criteria to perform his/her duties;
- 5.2. establish and implement appropriate procedures and prepare the relevant annual plan to ensure that the credit institution fully complies on a timely and constant basis with the regulatory framework in force and its internal rules and that there is constantly a complete picture of the progress towards achieving this objective;
- 5.3. inform the management and the Board of Directors of the credit institution on any material breach of the regulatory framework or any important deficiencies;
- 5.4. if the regulatory framework in force is amended, give instructions on the relevant adjustment of the internal procedures and the internal regulatory framework applied by the credit institution's units and its domestic and foreign branches and subsidiaries; ensure constant information of employees on developments in the regulatory framework, which is relevant to their tasks, by establishing appropriate procedures and training programmes;
- 5.5. coordinate the work of the compliance officers of the credit institution's foreign branches and domestic and foreign subsidiaries, so that all units fully comply with the provisions in force, within the meaning of this chapter;
- 5.6. ensure, through proper procedures, that the deadlines provided for by the regulatory framework are observed and assure the Board of Directors to this effect; and
- 5.7. ensure that the credit institution complies with the regulatory framework regarding the prevention and suppression of money laundering and financing of terrorism.

The head of the CU may, at the credit institution's discretion, in the light of effectiveness or cost/benefit considerations, also undertake the specific institutional powers provided for in this field (Law 2331/1995, as amended by Law 3424/2005, and Bank of Greece's Circular 16/2 August 2004, as applicable); introduce measures to enhance effectiveness in the implementation of obligations and act as a contact point in matters within his/her competence with the competent authorities and the competent bodies of the Bank of Greece by providing the necessary information.

5.8. Within the context of this task, the CU shall establish appropriate procedures and standards for reporting suspicious transactions to the competent authorities, as well as procedures for mutual information between branches, subsidiaries and the parent company. Instructions shall also be given to cease any operation that may expose the credit institution to operational risk.

VI. Data reporting requirements

1. Besides the specific references provided in this Act (Ch. V – section b – par. 3.6), credit institutions shall submit to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions), no later than the end of the first calendar semester of each year (or three-year period, in case 1.4), the reports, as well as the respective assessments by the competent Committees:

1.1. on the ICS by the IAU (par. 2.13.2 of Chapter V – Section a), including an assessment of information systems;

1.2. on risk management by the head of the RMU (according to par. 5.4 of Chapter V – Section b);

1.3. on matters within the tasks of the CU (par. 2 of Chapter V – Section c); and

1.4. on the ICS by the external auditors (par. 4.1 of Chapter IV – Section B2a and Annex 3).

2. The above reports shall not substitute credit institutions' obligations to provide the Bank of Greece's examiners, according to the specific provisions on credit institutions (par. 2.14, Section a, Chapter V), with the necessary data, including Committees' or Board of Directors' minutes, on internal control and portfolio quality issues, so that they may verify compliance with the requirements hereof and the suitability of the persons in charge according to the supervisory legislation in force.

VII. Authorisations

The Bank of Greece Department for the Supervision of Credit and Financial Institutions is authorised to:

1. provide instructions and clarifications on the implementation of this Act and its Annexes;
2. adjust the limits envisaged for the implementation of specific provisions hereof according to the size, complexity of activities and risks undertaken by credit and financial institutions;

3. specify, by annexes and circulars that will be integral parts of this Act, the principles and criteria hereof, adjusting them to the best international practices and the harmonising recommendations of the Committee of European Banking Supervisors (CEBS); and
4. determine, on the basis of the aforementioned criteria (par. 2), the scope of application of individual provisions hereof to cooperative banks and financial institutions, laying down in each case, the appropriate conditions.

VIII. Sanctions

Any violation of this Act may be punished with sanctions by the Bank of Greece, according to Article 55^A of its Statute (in the form of a non-remunerated deposit with the Bank of Greece, a fine in favour of the Greek State, administrative sanctions, as specified by a Bank of Greece Governor's Act or by the authorised Bank of Greece bodies) as well as the sanctions provided for by Article 22 of Law 2076/1992.

IX. Other provisions

1. The provisions of this Act shall take effect as from 31 May 2006.
2. Specifically, the provisions hereof that concern:
 - 2.1. the requirement to establish a Risk Management Committee and a Compliance Unit (or function); and
 - 2.2. the basic principles and criteria on a group basis (Chapter III) may be implemented as from 30 September 2006.
 - 2.3. the implementation of the International Accounting Standards by all credit institutions shall apply from the accounting period that ends on 31.12.2007 (date of transition to International Accounting Standards: 1.1.2006).
3. As from the entry into force of the corresponding provisions hereof:
 - 3.1. the provisions of Bank of Greece Governor's Act 2438/6.8.1998, as amended by Decisions 154/9/18.7.2003 and 193/1/11.3.2005 of the Banking and Credit Committee, shall be repealed and all references thereto shall be understood as references to this Act.
 - 3.2. the Annex to Decision 193/1/11.3.2005 of the Banking and Credit Committee "Principles of safe and effective operation of information systems in the context of credit institutions' operational risk management", as amended hereof, shall be annexed to this Act as Annex 2 and shall be an integral part hereof.

No expenditure shall be incurred by the Government Budget as a result of the provisions of this Act.

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