

WELCOME SPEECH OF MR. TAKIS ARAPOGLOU

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Ladies and Gentlemen,

I would like to welcome you to this conference on Regulatory Compliance and Training organized by the HBA and the European Bank Training Network. Thank you all for being here.

The main objective of this conference is to open the public dialogue on compliance in banks, highlighting the complex regulatory framework and encouraging effective training of all participants.

The Financial Services Action Plan launched by the European Commission brought about a regulatory storm in the financial services sector. Since then the landscape has changed dramatically affecting banks and financial groups in the way they function in important areas such as: Capital requirements, payment systems, capital markets, consumer protection, governance, etc.

Proper implementation of these measures in each of the member states is not an easy task, as they must operate in parallel with one and often more than one national legislations. In addition, the new measures may require changes in the internal organizations of financial institutions, the existing internal organizations of which already differ greatly.

Effective compliance policies and procedures, satisfactory to regulators, are absolutely necessary in order for banks to be able to handle effectively to complexity of the regulatory framework, preventively manage compliance risk an, of course, handle effectively incidents of compliance failures.

The Basel Committee on Banking Supervision published in April 2005 a high level paper on compliance for Banks, setting 10 fundamental principles. In this, compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss or

franchise cost a bank may suffer as a result of failure to comply with the compliance requirements.

According to this, compliance starts at the top of the organization, concerns everyone in the organization and should be viewed as an integral part of doing business.

A compliance unit is prescribed for every banking organization. However, there is no specific mention of its position within the bank as internal organizations vary greatly.

The paper focuses on three main areas:

- The responsibility of the Board of Directors and Senior Management
 - The functions of the compliance unit
 - The handling of cross-border issues and the supervision of outsourced functions.
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- a. The Board of Directors sets out integrity and honesty values and is responsible for supervising the management of compliance risk. It also approves the bank's compliance policy.
 - b. The compliance unit should be independent within the bank's organization, i.e. it should have official status, should be run by a head of compliance with total management responsibility of compliance risk reporting to Senior Management.

Specific attention should be paid to any conflicts of interest of the compliance unit staff.

Appropriately trained compliance staff should be given direct access to all information and to all employees and to operate on the basis of a compliance program.

The compliance unit's activities should be subject to periodic reviews by audit. The compliance and audit units should not be in any way connected to ensure independence.

The Greek framework

The BoG recently published Act 2577/06 that amongst others introduces the framework for the compliance function in banks in the country.

According to the Act, the establishment of a compliance unit is mandatory for listed banks with total assets exceeding € 10bn and have subsidiaries and/or branches abroad.

The Act is broadly in line with the Basel requirements and comes fully into effect on September 30, 2006.

Role of HBA

The HBA actively participates in the consultations with BoG in preparing the Act.

Most Greek Banks have already put in place fully functioning compliance units and will be ready for full compliance to the regulatory requirements.

Until recently, compliance in Greece was mainly covering money-laundering activities but now the situation is much more complex, especially for banks with substantial presence in the Balkans and SE Europe, jurisdictions which are presently both complicated and challenging.

It is increasingly becoming apparent that a lot of work must be done in compliance training. HBA will be introducing this month a course leading to a certificate in compliance. The course will focus on: explaining the need for compliance at national and international level; the role of the compliance unit; specific areas of supervision as well as the role and the position of the compliance unit in the organization.

The contribution of this conference will no doubt give us valuable information that will enable us to enrich this course further. Irrespective of all of the above, we should never lose

sight of the fact that beyond all laws, rules and regulations compliance is a new frame of mind towards which we all have to adjust rapidly. Compliance is a culture and goes much beyond applying these laws and rules. It is really all about applying common sense to protect the interests of our customers, our shareholders and the society we live in.

I thank you once again for being here and wish you a very productive meeting.